the MANAGEMENT REVIEW

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NOVEMBER, 1947

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the MANAGEMENT REVIEW

Volume XXXVI No. 11

NOVEMBER, 1947

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GENERAL MANAGEMENT...

What Technology Has Done to Us

By ROLAND P. SOULE
Vice President
American Machine and Foundry Company

VIEWED only in the light of past performance, of course, specialization must be conceded to be one of the principal means of our material progress. Obviously, we could never have witnessed such scientific miracles as radar, penicillin, and the atomic bomb without specialists, not simply in physics, biology, and chemistry, but also in some narrow subdivisions of those particular sciences. But I submit that today we are suffering from over-specialization. We can see it in certain long-term trends of a purely technological nature, which seem to suggest that if we're going to continue our past progress, we may have to do it by specializing less. And we can see it even more clearly in trends of a social and economic nature. Here it seems only too obvious that much of the mess in which humanity finds itself today is the result of too much specialization.

Suppose we were to succeed in reversing the trend toward over-specialization in our technical efforts. Suppose we were to merge the engineering arts and thus contrive to produce still higher standards of quality and still more efficient methods of manufacture. . . . Nearly everyone will agree that the great rise in our living standards since the beginning of the Industrial Revolution has been largely due to the efforts of the engineer. . . . But are we happy today as a result of all this material progress?

True, we have constructed taller buildings, longer bridges, and greater dams than ever before. True, we can travel, even under the water or in the air, farther and faster than ever before. But it is also true that we have bigger depressions and more terrible wars than ever before, and that the sum total of human contentment seems to have receded from the peak reached in our parents' generation. There is a feeling in the air, moreover, that our destiny is no longer under our control, that we have been caught up in a current of events that is carrying us, willy-nilly, to some strange and frightening destination.

Let us face the facts. In no small measure technology has been responsible for this state of affairs. While working to raise our standard of living, it has yielded three by-products, each with the most serious of implications.

First, technology has committed us to an economy of ever-expanding production and constant growth. Recall, if you will, that our material progress has been won through increasing efficiency in the utilization of men and materials. We have spent more and more money each year to find new and better ways of getting along with fewer and fewer workers. That is all right

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because it is the only way we can all have more and still work less. But the corollary is equally clear. If we are to maintain full employment while deliberately reducing the labor required to make each unit of output, then we must always increase the number of units produced. Whether or not our population grows, whether or not our exports rise, we must always have expansion in total output.

The second by-product of technology is likewise apparent. One of the most important methods by which we have achieved higher industrial efficiency has been the increasing application of a time-worn principle—the principle described by economists as the "division of labor." Division of labor means greater specialization, and greater specialization means more economic production. Because of this principle, few men any longer grow their own food, build their own houses, and make their own clothes—and now have better food, better houses, and better clothes than they ever had before. But also because of this principle, self-supporting little communities have ceased to exist in this country, and—year after year—every worker has become a smaller and smaller cog in a bigger and bigger machine. This principle is the reason why business, in its periodic cycles, tends always to swing wider in both directions—why our booms have become greater and our depressions deeper.

The third by-product of technology is not so obvious but is nonetheless significant. It is the impact of today's type of work upon the worker. Consider, first, that the day of the artisan has long since passed, and few men now turn out, by their own efforts alone, a complete clock, a complete shoe, or a complete suit of clothes. Consider that the craftsmen in metal were replaced a generation ago by machinists, and that machinists are now being replaced by machine hands, in a continuous process of evolution where, as the intelligence of the machine itself rises, that required of the machine operator falls in inverse ratio. Who cannot understand why work has come to mean just one thing—a pay check that seems never quite enough? Technology has given the worker more wants and more leisure, but it has also substituted the monotony of repetitive work for that pride of craftsmanship which once was so large a part of every man's pay.

The technologist, therefore, has done more than increase our standard of living. He also has increased our hazard of living. By gearing our economic machine to ever-faster speeds, he has made us more liable to economic accidents, more vulnerable to harm when such accidents occur.

It has been made amply clear to us, first in Italy and Germany, then in England, and more recently in this country as well, that whenever a national economy begins to falter, it is the signal for an upsurge of new ideologies to replace the old. Hence, however conservative the technologist may be in his own political thinking, his deeds in laboratory and shop have made him actually the most radical member of society. He has brought about more social change than any demagogue or statesman. And the end is not in sight, for he is still brewing the potent medicine of change, still injecting it into our economic body in doses which grow larger every year.

The trend toward over-specialization is also taking place in politics. Our Congressmen also care more and more about less and less. Thus, we have special advocates of agriculture and of labor—of cotton and of silver—of high

protective tariffs and of the public ownership of utilities. We have a small army of political mechanics swarming over our economic machine, each with a fixed idea how to tinker with some one part so that it will better suit his fancy. The marvel is not that the machine runs no better, but that it runs at all.

These, therefore, are some of the economic consequences of our engineering truths:

First, we have made it increasingly important that our nation be capably run. We have made the fortunes of the individual more and more dependent upon the continued growth of the whole economy. And we have made social upheaval the price of failure to obtain such growth.

Secondly, we have made it increasingly difficult to run the nation right. We have built an economic machine that is getting more and more complicated. We have confused the men who run it, and reduced their incentive to run it properly.

Finally, we have increasingly specialized the nation's talent. We have divided it into smaller and smaller parts and made it less and less available for our common problems. We have diverted our genius into the side channels of our national life and have let mediocrity steer us in the main stream.

We are all passengers on our ship of state, but we are no longer members of the crew and we rarely go on deck to watch the progress of our voyage. There is no solid ground beneath us, nor is our great liner safe in port. It is speeding on its way to some unknown destination. It is manned by a crew that has become less competent and less careful, and it is heading into seas that steadily grow more stormy. Surely we must sense something different in its motion—a feeling that all is no longer well. Don't we pause to wonder where we're bound? How much longer shall we leave everything blindly to the crew and think only of our own petty specialties?

It seems safe to forecast that the years 1940-1960 will not be characterized by the ascendancy of any one of the old conventional types of technology or of some narrower and more specialized subdivision, such as "electronic engineering." Instead, it seems more likely that the coming trend will be in the reverse direction toward certain principles and practices of a wider scope. Thus, if we are to continue the technical progress of the past, we shall witness a further breaking down of such barriers and boundaries as may still exist between our present types of technology. And, more than that, if we are to survive as a strong and free nation, we must also witness a great broadening of our concept of engineering to include some very important responsibilities we have not previously recognized.

From an address before Alcoa's Tenth Annual Engineers' Night (*American Affairs*, October, 1947).

No Dull Moments

VISITORS awaiting appointments in the reception room of the General Electric Co. plant in Bridgeport, Conn., need not sit twiddling their thumbs. A sign urges: "Don't be bored. Push the button and see what happens." What happens is that a concealed projector flashes on the wall opposite the visitor a film-strip story of electric cooking and G-E's part in it.

—*Modern Industry*

The Business Outlook Today

JUST as a year ago many economists and business men expressed belief that a recession would occur some time in 1947, today the consensus of the forecasters put it some time in 1948. What are their reasons?

Many people believe the recent skyrocketing of prices is bound to be followed by an early and more or less precipitous reaction. Some anticipate an early and large drop in the record-breaking export surplus. Some believe rising prices must inevitably invite sales resistance. Some believe fears of a European collapse and high and uncertain construction costs will prevent the effects of a drop in exports or in consumer demand from being offset by a rise in business expenditures for construction and equipment.

The large excess of exports over imports, the abnormally high level of agricultural prices, and high and uncertain construction costs are undoubtedly the three principal weaknesses in the economy.

The large excess of exports over imports cannot continue indefinitely, nor can the high prices of farm products. As agricultural output throughout the world recovers, and as European farmers become more willing to sell their products, world prices of farm commodities are bound to fall. If the decline in agricultural prices and in the export surplus is not offset by a rise in other expenditures, the total money income of the community will drop, prices of non-agricultural commodities will fall, many business concerns will be unable to meet the costs on part of their output and will lay off employees.

Whether a drop in the export surplus or in the prices of farm products is accompanied by an offsetting rise in expenditures will depend upon: (1) how rapidly the drop in farm prices or in export surplus occurs; (2) how soon it occurs; and (3) whether or not goods in general are priced low enough to induce an expansion in demand.

An early but not precipitous shrinkage in the country's export surplus is to be expected. Aid by this country to Europe will not be sufficient to prevent such a drop but will be sufficient to keep it moderate—at least for another year. A slight decline in some farm prices may be expected after the first of the year when sales by farmers will no longer affect their 1947 income taxes. Unfortunately, however, most farm products will be scarce at least until next summer and probably longer.

An early and moderate drop in the export surplus is not likely to produce a recession because the economy has many elements of strength. The following seven seem particularly important:

(1) Many prices, especially those of durable consumer goods, industrial equipment, and many trade-marked goods, are too low to equate supply and demand. This means there could be a substantial drop in demand for many articles without its becoming impossible to sell present output at present prices.

(2) Unsatisfied consumer demand is still great, particularly for durable consumer goods and housing.

(3) Consumer indebtedness is still low in relation to consumer incomes—representing only about 6 per cent of disposable income, in comparison with 12 per cent in 1940.

(4) Consumers' expenditures are still low in relation to their holdings of cash and bank deposits. This means that a drop in incomes would produce a less than usual drop in expenditures.

(5) Inventories are still very low in relation to volume of sales. To raise inventories to their 1939 ratio to sales would require an inventory increase of over $10 billion. A recession is not likely to be materially aggravated by a drop in inventories from present levels.

(6) The rate of private construction is low in relation to the gross national product—representing less than 5 per cent of gross national product in contrast to almost 7.7 per cent in 1929. A recession is not likely to produce a drop in construction from present low levels.

(7) The accumulated need of business for more capital is very great. During 10 years of war and depression, the consumption of capital exceeded the additions to capital. During the entire 17-year period, 1929-46, there were only six years (1929, 1930, 1937, 1940, 1941 and 1946) when capital formation substantially exceeded capital consumption. As a result, the unused life of the plant and equipment of American industry is no greater today than it was 17 years ago. In the same period, employment has increased by over 12,000,000, or nearly one-fourth. Hence, there is considerably less capital per worker in industry now than in 1929 or in 1940. Indeed, to raise capital per worker to the level of 1940 would require an investment of about $43 billion. Capital per worker, however, has been growing at the rate of about 2 per cent a year. To raise capital per worker to the amount indicated by the long-term trend would require an investment of about $75 billion. American industry is grievously short of capital and will be for some years to come.

However, four present or prospective developments greatly increase the danger that the present boom will ultimately end in a severe recession:

(1) The current expansion of bank credit—commercial, industrial, and agricultural loans. At a time when the economy is producing at capacity, expansion of credit simply gives people more dollars to use in bidding up the prices of goods. It also means that during a period of contraction part of incomes will be used to pay debts rather than to buy goods—thus aggravating the severity of the contraction.

(2) Early reduction in the personal income tax. This would in the main increase the already excessive demand for goods and thus keep up prices or raise them still further.

(3) A third round of wage increases this winter or spring which exceeds recent gains in output per man-hour.

(4) Aid to Europe may be financed in part by an expansion of credit in the United States.

Many steps can be taken by management to help avert a recession. Among these are the following:

(1) Avoiding wage increases which raise cost per unit of output except where the wage advance is needed to correct inequities.

(2) Keeping inventories down to present low levels.

(3) Avoiding dividend increases, except those required by equity, such as increases to restore the prewar purchasing power of dividends.

(4) Financing capital needs by plowing back earnings or by borrowing from insurance companies or savings banks rather than from commercial banks. Borrowing from banks is peculiarly inflationary because it produces an expansion of demand deposits. Hence, under present conditions it should be avoided as far as possible.

(5) Restricting extension of credit to customers as much as possible.

(6) Keeping prices well below the levels which present demand would justify.

(7) Intensifying efforts to raise output per man-hour.

Whatever is done within the next few months to weaken the upward pressure on prices will help to limit the size of the third round of wage increases and thus to limit their effect in holding up food prices. Particularly valuable would be a moderate drop in food prices within the next several months. Prompt and vigorous government action in sponsoring a voluntary reduction in food consumption, in increasing the number of regular buyers of government savings bonds, and in restricting the expansion of bank credit can bring about some weakening of food prices. The present policy of drift, however, simply permits the economy to build up conditions which make a severe recession more and more difficult to prevent.

From an address by Sumner H. Slichter before the Pennsylvania Electric Association (*Commercial and Financial Chronicle,* October 2, 1947).

Some Vital Statistics

FOLLOWING are the results of a survey conducted by a psychology class at the University of Wisconsin: If you live to be 70 or over, chances are that you will spend at least 20 years asleep. Two hours of your life will be taken signing the pay checks for the 20 solid years of work you will do. Golf, bowling, hiking, or African dominoes will probably take up some of the seven years you will allow for sports of all kinds. For five years you will shave and dress, and five months will be spent in tying your shoes. Of the 614,100 hours in your lifetime, a few over 4,000 are allowed for playing cards. For seven years you will go to the movies, theatre, fights, or other amusements. Another year will be spent on the telephone. For two and one-half years you will sit at a table, eating, and for another two and one-half years you will smoke or chew gum. The 70-year span includes three years of waiting and 30 hours annually just looking into mirrors and, just for the record, you are allowed four hours each year for wiping your nose.

—*The Public Relations Journal* 9/47

Parker's Good Neighbor Policy

THE Parker Pen Company recently inaugurated an unusual "good neighbor policy" in regard to foreign infringers of its patent rights. Aware that in Shanghai, Hongkong, Singapore, Italy, and other foreign markets, imitators and plain poachers on Parker rights have been arising in an unusual number, the company no longer gives these infringers merely the one choice of quitting or being prosecuted. Instead, they are now offered the alternative either of (1) legal prosecution, or (2) accepting the friendly aid of the firm, with its research and engineering experience and skills, to turn out a product (whether a pen or something else) suited to the available skills of local workers. The company will even help competent foreign pen manufacturers to obtain hard-to-get materials.

Under present purchasing power limitations in these markets, Parker realizes it cannot supply a large, low-price demand for its products. But rather than simply offer stern and purely legalistic belligerence to imitators and infringers, the company prefers to adopt a long-range policy of helpfulness, even if it puts another make of pen in the hand of potential customers.

Not entirely altruistic, Parker is also motivated by sound business principles: Because the purchase of a cheap fountain pen habituates people to its use, the company expects its policy to pay off when purchasing power rises and foreign consumers are again in the market for top-quality pens. And Parker is willing to take its competitive chances when that day comes.

—J. George Frederick in *Forbes* 10/1/47

Mild Business Recession Predicted

IT is the consensus of 100 economists polled by the F. W. Dodge Corporation that there will be a mild business recession beginning next spring. The group polled includes economists connected with business corporations, financial institutions, universities, and economic research organizations.

Seventy-five of the economists queried expect a business recession in 1948; 21 do not expect a recession next year; four expressed no opinion on the question. Forty-one of those expecting a recession indicated they believed it would be mild, 19 described their expectation as "moderately serious," and 11 as "serious."

There was a wide division of opinion as to when the expected recession would begin, with February and March being most frequently mentioned.

In the opinion of most of the economists, the index of wholesale commodity prices as established by the U. S. Bureau of Labor Statistics will continue to rise from 153.5 as of August 23, 1947, through December, but will be down by August of next year and down further by the end of 1948. The median commodity index prediction figures are 158 for December this year, 150 for August next year, and 140 for December, 1948.

The majority of economists expect a period of price stabilization when the wholesale commodity index reaches 132, the median opinion figure. This would be at a point approximately 70 per cent above the average of wholesale commodity prices for the year 1939. While there is a wide diversity of opinion as to when the period of stabilization should begin, ranging all the way from the present time to some time in 1951, the most frequently mentioned time is the spring of 1949.

The majority also believe industrial production will remain stable or decline from the 1947 level during next year, 64 anticipating an over-all decline in production with the median decline shown as 10 per cent.

Seventy-seven economists expressed an opinion on industrial production, with 36 foreseeing "approximately stable" production next year, 27 others believing the trend would be steadily downward, and 14 saying it would be steadily upward in 1948 from the 1947 level.

The majority foresee an upward trend in industrial production in the first quarter and a decline in the last three quarters of next year as compared with this year.

Majority opinion indicates an expectation of approximately stable to lower employment in 1948 as compared with this year. Of 78 economists expressing an opinion on the employment outlook, only three expect a steady uptrend; 30 expect a steady downtrend; and 45 believe employment will be approximately stable next year.

Despite the mild business recession expected, there is strong support for the view that the dollar volume of construction contracts will be greater next year than this year. Seventy-six economists expressed an opinion on the construction outlook: Thirty-seven anticipate a steady uptrend, 28 believe building will be approximately stable, and 11 expect a steady downtrend. Fifty-eight believe there will be an over-all increase in construction contract volume, the median figure on the increase expectation being 10 per cent.

When Should a Business Man Retire?

ENGLAND'S famed playwright, George Bernard Shaw, is now 91. That he is alert and as Shavian as ever is evidenced by his answers to these six questions:

1. *Do you agree that a man of 70 is likely, because he is 70, to be failing in his business powers?*

It depends on what the business is and on what sort of a man he is. Selling baked potatoes is a business; so is the development of nuclear energy. Men of 70 include Einsteins and nobodies.

2. *If business directors ought to go at 70, should not politicians, parsons, and other men in public life?*

At 70 a politician of Cabinet rank is barely out of his apprenticeship. On a parish council he may be senile and obsolete.

3. *In view of the falling birth rate and the preponderance of older men over younger, is it a waste of manpower potential to set an age limit of 70?*

Using a constant 70 to measure variables like human faculty and industrial production is bad mathematics. What we need is a scientific anthropometrical arithmetic; and we have not yet got it.

4. *Do you think that science is likely soon to render people of 70 more capable than such people were 50 years ago?*

Genuine science makes everyone who is capable of it wiser than they were on any date.

5. *Is "hardening of mental arteries" a greater danger in public affairs than the rashness of youth?*

Youth is not rash; it is diffident and conscientious. A young judge is far more scrupulous than a promoted old barrister. Did I not say years ago that every man over 40 is a scoundrel?

6. *When do YOU hope to retire?*

When I drop.

—*The Rotarian* 11/47

Man Wanted!

WANTED—A man for hard work and rapid promotion; a man who can find things to be done without the help of a manager and three assistants.

A man who gets to work on time in the morning and does not imperil the lives of others in an attempt to be first out of the office at night.

A man who listens carefully when he is spoken to and asks only enough questions to insure the accurate carrying out of instructions.

A man who moves quickly and makes as little noise as possible about it.

A man who looks you straight in the eye and tells the truth every time.

A man who does not pity himself for having to work.

A man who is neat in appearance.

A man who does not sulk for an hour's overtime in emergencies.

A man who is cheerful, courteous to everyone, and determined to "make good."

This man is wanted everywhere. Age or lack of experience do not count. There isn't any limit, except his own ambition, to the number or size of the jobs he can get. He is wanted in every big business.

—*Industrial Management Bulletin* (Industrial Management Society, Chicago) 5-6/47

• EXECUTIVES DIE YOUNG: Life insurance examiners in New York looked over 1,000 executives recently. More than 70 per cent had health impairments. Many of this group die around age 50. But life examiners believe that executives need not die young. All they have to do is get early diagnosis and prompt treatment of the many disabilities which seem indigenous to executives.

—*Bulletin Briefs* (National Screw Machine Products)

Lavender and Old Lace

THERE isn't anything wrong in the noticeable revival of the company history as a medium of employer-employee communication. There's a lot wrong, however, with the attitude and technique with which management is approaching this project. Actually a company history, provided there aren't too many stormy chapters, can and should be an item of interest and value to employees. If it's a good job, employees keep it, show it to their friends, and refer to it more often than you'd think.

Compiling the company history too often is a hit-or-miss project. Less than half of those that are started ever actually get published; they bog down somewhere along the way. If it were not approached so casually—if someone in high office recognized that a properly prepared history could serve not only as a useful employer-employee communications device but also as an excellent medium of contact with shareholders, with customers and prospects, with civic groups and others—then the project might get off to the right start and end up successfully.

Histories usually run into a good deal of research, call for plenty of fact-digging. That's why such an assignment should be given to either an outsider trained in such work, or a company man able to write, capable of research, and one with plenty of time to do the job well. It can't be rushed.

The biggest reason for the ineffectiveness of histories of companies is the lavender-and-old-lace approach. The language if often stuffy and old-fashioned, the format of the book forbidding. If it's to take the form of a book, modernize it with dignity; don't make it look as though it came out of mothballs.

Histories are being used serially more and more frequently in company publications. This is a less expensive way of doing it, probably less effective, and much of its external (stockholder, customer, prospect, etc.) value is lost or diminished.

Following are some points to keep in mind if your organization is considering the production of a company history:

1. *Agree upon the period it is to cover.* Some histories go 'way back into the origins of the raw material. This may be worth while provided the text doesn't become too technical for lay reading, and provided the story can be told without hopelessly slowing down the text. It's doubtful that many readers, interested in a history of your company, care about the industry's own origins.

2. *Keep the style informal.* The average company history (and several hundred of them have been produced over the years) is heavy reading. It is too dull for human consumption, and so fulsome in its praise of every company official and act that it isn't a credible document. The narrative style is best; the report should be full of warmth and good feeling—which is why a good reporter, in or out of the company, should do the job.

3. *Be careful with pictures.* Most company histories reflect the fact that the compiler hasn't even tapped his picture sources. Good early photos are to be found in company files, certainly, but one of the best sources is the old-time employee, who usually has his personal collection. A local photographer may have purchased the files of an earlier photographer; the local library nearly always yields something,

and so do the archives of the newspapers.

4. *Check the copy sources.* You'll get the official, this-is-for-the-record story of the organization from company officials and from company files. But the fill-in material, which is the meat of any such project, will come from the older employees. They are the sources for the early anecdotes that will give the job warmth and human interest and meaning.

Size of the job (if it's a volume) depends upon quality and quantity of material, the budget, and personal preferences of the publisher. There is no hard and fast rule as to size or number of pages—the finished job will dictate that, when the text and the photos are assembled, though it's wisest to work against a dummy.

If it's an employee good-will builder, *aim it for the employee's living-room table.* Keep the typical employee always in mind: Will he turn off his radio to pick it up and re-read it? Is the type large enough for tired old eyes? Is the copy crisp enough and the pictures appealing enough to attract the younger employee? Is it wide enough in its appeal to invite a reading by the employee's family?

You'll probably see more company histories undertaken in the next two years than in any similar period in our industrial history. Why? Because management tends more and more today to build a *solid and enduring relationship* with its employees, and no medium which can cement that relationship is going to be scorned.

Our vote for the best man in any organization to superintend (but not to write) such a work is a retired official who grew up with the company. He usually has the time to give to it, in nearly all cases should have the interest, and would be of invaluable assistance to a compiler unfamiliar with the company's early days.

Bringing the story down to date, once the clouded incidents of the company's beginnings are established, assembled, and out of the way, would be easy for anyone with a nose for news and a gift for human, moving writing.

The Score (Newcomb & Sammons), August 22, 1947.

What Employers Think

HOW well are employers living with their unions? What have been their experiences with restrictive labor practices? Those questions have been asked many times during the past two years, while industrial labor relations were under a Congressional microscope. They're being asked again by subcommittees concerned with possible future changes in federal labor laws.

To get a sampling of what employers themselves think, McGraw-Hill sent questionnaires to managements of a diversified group of industrial plants. Here are some findings, tabulated this week from 91 replies:

One-third of sampled employers say unions limit production.

One-fourth complain unions require more workers than needed on a job.

Half of those employing apprentices complain that the union restricts the number which can be employed.

One-fifth say their unions have resisted use of labor-saving devices.

Half of the sampled employers believe productivity is dropping, while one-third think it is moving up a little. Most blamed workers for any decline. Three-fifths of the employers aren't satisfied with efforts by their workers.

Two-thirds—60 of the employers—report "satisfactory" union relations in their plants. Of the others, nine consider plant relations unsatisfactory, 20 say the situation is improving, only two report conditions getting worse.

—*Business Week 9/27/47*

OFFICE MANAGEMENT...

Cost Control in the Transcription Department

By JOHN E. THIELE
Senior Methods Analyst
The Prudential Insurance Company of America

HOW much does a dictated letter cost? I have seen estimates ranging all the way from 25 cents to $3.00. Recently, our company made an estimate of 80 cents a letter, based upon phonographic transcription in a centralized department. Stenographic transcription, however, would raise the figure to well over 90 cents.

In peak years, the Post Office Department carries over 17 billion pieces of first-class mail. Assuming that 4 billion are business letters and that the average cost is 80 cents each, the annual expenditure is $3,200,000,000. Letter writing is definitely big business.

Of course, in these days of the collapsible dollar, even billions are not too impressive. But, whether or not the country has a good five-cent nickel, we are always interested in the question, "How can we get more for our money?"

We can get more in two ways: First, through reduction in cost per letter; second, through improvement in the quality of our letters. The second way is even more important than the first. Every letter makes a personal contact; and every letter either builds up or tears down good will for the company that writes it. Therefore, every letter should make a good impression, regardless of what it has to say. The subject matter may be trivial, but if the wording seems unfriendly or the typing looks sloppy, the reader may decide to take his business elsewhere. Then the cost becomes far more than 80 cents. A 25-cent letter is expensive if it loses an account, and a $3 letter may be cheap if it brings in new business.

Dictation and transcription represent 75 per cent of the total cost. These two items are direct salary expense, and the most obvious targets for attack by management. They cannot, however, be attacked separately, because each is largely controlled by the other. If the dictator does poor work, the transcriber loses time trying to figure out what he wants. If the transcriber does poor work, the dictator loses time making corrections or redictating. It is a joint enterprise.

The best approach, therefore, is one that will insure good work on the part of both—in other words, the establishment of a training program for both dictators and transcribers.

By training dictators to plan their letters, to eliminate superfluous words and whiskered expressions, and to use simple language, the length of the average dictated letter can be reduced at least 10 per cent; and the reader's reaction will be improved 100 per cent. The training can be handled through class sessions, letter bulletins, manuals,

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Adapted from an address presented October 1, 1947, at the Transcription Supervisors' Association Forum of the National Business Show.

and, most important, periodic carbon reviews. There must be a follow-up on the instruction given. It's a large program, but it will pay dividends.

Our training section for transcribers consists of a typing class, a stenographic class, a phonographic class, and a keypunch class. Applicants for typing work must pass a pre-employment test before being assigned to class. Training includes: speed drills, typing practice, letter arrangement, spelling, insurance terms, use of reference material. Each trainee is given a typing manual. A typing rate of at least 45 net words per minute is required before a typist is released from class. A stenographic trainee is not released from class until she can take dictation at 120 words per minute, and transcribe at the rate of 20 words per minute, with less than 2 per cent error.

Phonography must be taught from scratch. During the first two weeks of training, the trainees are given cylinders that have already been transcribed by an experienced operator. In this way, the trainee's work can be checked readily. In the third week, the trainee starts making original transcriptions, which are thoroughly checked before being mailed to the dictator. A daily record of her progress is kept, and when she is able to meet the production requirements for the designation of phonographer, she is transferred to a transcription section.

Keypunch candidates must be able to type and also pass a special aptitude test. The training consists of familiarizing them with the equipment and developing speed and accuracy in punching.

The second step in controlling production and costs lies in raising employee morale through improvement of working conditions—for instance: the height of chairs and machines can be adjusted to individual operators; noise can be reduced by sound-absorbent ceilings; lighting can be improved; staff benefits, such as insurance and pension plans, dining-room facilities, recreation rooms, etc., can be provided.

The greatest morale-builder of all is the transcription supervisor herself. She must be a super-salesman. She must be able to sell each employee upon the importance of the work assigned and upon the opportunities offered by the various jobs. Above all, she must be able to sell herself; otherwise she will not secure the full cooperation of her staff.

The third step in controlling costs is setting performance standards. In our company, the relative time for each type of job was determined by time study. Then we selected a letter as the standard work unit (worth one work credit), and we assigned comparable values to other types of work (fill-ins, records, etc.). We grouped together the jobs that required almost the same amount of time, to keep the number of classifications at a minimum. We then applied the credit scale to past production records to see how many credits an hour the operators had been averaging. That gave us a basis for setting a standard. The standard set was higher than the previous average, but it was well within the reach of most operators. Then each operator was furnished with a form (see Exhibit 1) designed to enable her to figure out her own record. The effect of the plan was immediate. Clerks who had been coasting along began to pick up speed. One of the greatest gains was in the work of new clerks. They had a goal set for them, and they knew what they had to do to make good.

The quality of a transcriber's work is just as important as the quantity.

Memorandum for Stenographic and Typing Section

The variety of typing jobs done in the Stenographic and Typing Section makes it difficult for a stenographer or typist to know whether or not the volume of work that she completes each day is sufficient to warrant an excellent rating. To simplify the problem, apply the following table of work credits to your daily production and divide the total credits by the number of hours spent on the work. If the result is six or more credits per hour, your rating on *volume of work performed* will be excellent. Of course, an excellent quality rating is also part of an excellent clerical rating.

1 letter (dictated, rewrite, copy or longhand)	1 credit
8 fill-ins, cards or envelopes	1 credit
2 miscellaneous forms	1 credit
1 record or Form 5982	3 credits
2 Forms 6715A	3 credits

The examples given below will illustrate how the hourly average of work credits is obtained.

1. Typist A spends the entire 7 hours of a normal work day on routine work. At the end of the day, her record shows that she has typed 11 letters, 100 cards, 40 envelopes, 12 fill-ins, 4 Forms 6715A and 2 records. These items are converted to work credits as follows:

11 letters	11 credits
152 cards, envelopes and fill-ins (152 is divided by 8)	19 credits
4 Forms 6715A (4 is divided by 2 and multiplied by 3)	6 credits
2 records (2 is multiplied by 3)	6 credits
Total:	42 credits
42 divided by 7 (hours worked)	6 credits per hr.

2. Typist B spends 30 minutes on non-graph work, 45 minutes in the Infirmary and works overtime until 8 P.M. Her production of routine work for the day totals 57 work credits when converted as shown in the previous example. She deducts 1¼ hours (30 minutes plus 45 minutes) from 7 hours of a normal work day, adds 3¼ hours for the overtime, and finds that she spent 9 hours doing the work credited. Dividing 57 by 9, she obtains her average of 6⅓ credits per hour.

3. A stenographer spends two hours of a seven-hour day taking dictation. She transcribes 18 letters from her shorthand notes, and types 6 rewrites and 2 records. Her completed work represents 30 work credits. She divides 30 by 5 (hours on transcribing and typing) and finds that she has averaged 6 credits per hour.

Exhibit 1

As part of our program, the different kinds of errors a transcriber might make were classified according to their seriousness and assigned demerit values. For example, a misspelled word rated five demerits, while incorrect word division rated only two demerits. The scale is applied by the section head to at least 10 full pages of typing selected at random from each girl's work every month, as well as to all letters returned for rewriting. A monthly quality rating is then figured for each operator, based upon the average number of demerits per page of typing, and given to her on an individual report sheet (see Exhibit 2). While there has been much joking about getting "report cards," all the operators are interested to know how they make out; and we have found that, since inauguration of this quality review, the largest group invariably falls into the "Excellent" rating class.

There are, of course, other factors affecting letter cost which cannot be covered in this discussion. I believe, however, that if you can develop trained workers who like their jobs and know what is expected of them, your letters will be a good product obtained at reasonable cost.

MEMORANDUM FOR____________________

A quality review of______pages of your work during the past month of______________ resulted in the following number of errors, or faults in typing technique, being recorded:

Demerit Charge	*1**	*Number of Errors*	*Demerit Charge*	*2***	*Number of Errors*
(5)	Misspelled words	____	(3)	Uneven touch	____
(2)	Typographical errors	____	(5)	Soiled appearance	____
(2)	Improper division of words	____	(2)	Poor spacing	____
(3)	Grammatical errors	____	(4)	Worn ribbon	____
(5)	Strike-overs	____	(5)	Clogged keys	____
(5)	Careless erasures	____	(5)	Carbons not legibly corrected	____

Your quality rating, based upon the foregoing record, is____________________

____

Section Head

* Penalty recorded for each instance.

** Penalty recorded only once for each letter or piece of work.

Quality ratings are determined by multiplying the number of errors of each class by the demerit charge, totaling the results and dividing by the number of pages of work reviewed. The numerical value is then translated to a rating which is based at present on the following scale:

0 — .49	Excellent
.50 — 1.99	Very good
2.00 — 3.99	Good
4.00 — 5.99	Average
6.00 — 7.99	Fair
8.00 and up	Unsatisfactory

EXHIBIT 2

Recruiting New Office Employees

DURING the war it was generally believed that the end of hostilities would bring an end to the problem of recruiting new office employees. To determine whether this problem still exists and, if so, what action companies are taking to meet it, a questionnaire on this subject was distributed in September by the Office Management Association of Chicago to a group of its members. Replies were received from companies in the Chicago area employing almost 7,000 office workers. The following is a summary of the responses:

NUMBER OF UNFILLED JOBS: Replies to this question indicate that the average office is short 1½% of its authorized staff. This shortage consists of stenographers, comptometer operators, bookkeeping machine operators, and other people having machine skill (1.1%); clerical employees with previous training (.2%); and clerical employees without previous training (.2%).

QUALITY OF NEW EMPLOYEES: 75% of the companies reported that the quality of new employees being hired was lower than the prewar standard.

PREDICTION OF INCREASED SUPPLY: 52% of the companies that reported a decrease in the quality and number of employees being hired predicted no improvement of these problems in the near future. The balance of the companies predicted that qualified applicants will be plentiful within the following periods of time: 5 years—8% of the companies; 3 years—4%; 2 years—12%; 1 year—16%; 9 months—8%.

SOURCES OF NEW EMPLOYEES: 50% of the reporting companies have found that newspaper want ads are the best source of new employees. Other sources, listed in decreasing value sequence, are employment agencies, contacts with high schools and colleges, introductions by members of present staff, unsolicited applications, and contacts with business colleges.

PAYMENTS FOR SUPPLYING NEW EMPLOYEES: 71% of the responding companies pay employment agency fees for female employees hired; 50% pay the fees for both male and female. 14% of the reporting firms pay rewards to employees for introducing both male and female applicants who are subsequently hired. One company pays the reward in merchandise. Those paying cash rewards reported payments ranging from $10.00 to $25.00 for each employee hired.

Developing a Source of Trained Clerical Workers

HOW can employers find the skilled clerical workers they need? The typing service department at Merck & Company, Inc., Rahway, N. J., is one company's answer. It is here that newly employed typists, stenographers, or clerks serve their apprenticeship, learning by application the accepted office practices of the company. They are "on call" at all times and may be loaned to any department where their services are needed. By working at these diversified jobs, they obtain the experience which makes them logical replacements whenever openings occur throughout the Merck organization.

This department employs approximately 100 people and occupies more than 6,000 square feet. Three sections—machine processing, transcribing, and stenographic and typing, each with its supervisor—perform departmental assignments. Various personnel classifications are required, including specialists in the use of such machines as: photostat, multilith, addressograph, mimeograph, vari-typer, and auto-typist. There are also ediphone operators, stenographers and steno-beginners, record clerks, typists, and clerk-typists.

The typing service department is self-supporting, inasmuch as charges for work are apportioned among the departments originating the jobs. These charges are based on materials and labor, plus an overhead to cover supervision, unemployment insurance, social security, and sick-leave. Provisions are made in the budgets of other departments for the amount of work expected to be done by the typing service division during the year.

—PAUL EASTMAN in *American Business 6/47*

PERSONNEL...

Labor-Management Revolution of 1947

A WISCONSIN labor paper prints the story of a widow who, complaining over the complicated forms she had to fill out to secure compensation benefits, finally wrote the state authorities, "I sometimes almost wish I had my husband back again."

A certain confusion of values seems similarly to characterize those leaders of labor who predicted the complete destruction of unionism if the Taft-Hartley bill became law, but upon its passage promptly exercised their economic power through free collective bargaining to establish a new high in labor benefits.

Columbus may have started the practice of going East by sailing West, but the backers of the management-labor law have given this paradox a modern fillip. Evidence multiplies that the aims of the Act are being achieved more by its avoidance than by its observance.

Confusion in appraising the relative positions of labor and management under the new law arises in part from the fact that the publicity campaign that raged while the measure was still pending was directed more at undermining and disqualifying the witnesses on both sides of the issue than at expounding or criticizing the features of the bill.

To the question, "Will the Taft-Hartley Act weaken unionism in America?", might be added: Will better leaders weaken unionism? Will more intelligent and consistent support of the rank and file weaken unionism? Or improvement in financial accounting? Or a decrease in internecine warfare? Or elimination of featherbedding? These are some of the results almost sure to eventuate directly or indirectly from the new law.

Consider one feature of the Act which lends itself to endless debate—the closed shop issue. The closed shop relieves labor from the constant necessity of campaigning for members, permitting it to concentrate on constructive phases of labor-management interests. It does away with the kind of membership agitating that sometimes amounts to disruptive incidents initiated solely to give the union a chance to display to lukewarm prospects its power to help them.

But, conversely, the closed shop provides an umbrella under which the union can settle back into practices that benefit neither employee nor employer. An institution that has to justify its existence on the basis of its merits is, in the long run, more likely to see to it that it actually possesses those merits. What is said in business about competition being the life of trade—that it is responsible for industrial progress and the development of new, better, and cheaper products—can be said with equal force about unions. If they have to earn the support of members, is it not reasonable that they will try harder to merit it?

Though the Taft-Hartley Act forbids the closed shop, it gives official

blessing to two related institutions for which labor heretofore has many times had to fight and bleed. These are the union shop and the check-off. Labor may contend that qualification for these benefits is onerous, but that may be because unions have never had to accustom themselves to regulations which to corporations are routine: Compare for a moment the interminable details involved in the registration of a single security issue under the rules of the S.E.C.!

Consider the requirement for financial reports. Labor objects that the filing of regular statements gives undue advantage to employers by disclosing the financial condition and possible weakness of the union. Not to stress the fact that the employer's financial condition is usually a matter of public record, the financial strength of a union is not necessarily static. Assessments can change it overnight, and contributions from other unions can do likewise. This is something that seldom happens to an employer—other businesses don't chip in financially to save a company that is having labor trouble, any more than if a new model fizzles or an advertising campaign proves to be a flop.

There is real possibility that the unions will be strengthened by the requirement that they make regular financial reports. It will mean that a union must be more businesslike with its funds, put its financial house in order, and eliminate extravagant and unaccounted use of union funds by careless or unscrupulous officials. Many unions are already making regular financial reports to their members. None should find it distasteful unless the requirement reveals unsavory practices. And such revelation will do no permanent injury to unionism. The Secretary of Labor's current decision to withhold union financial reports from the public may alter this whole question, but it is not established that the Secretary's ruling will be sustained.

What really sends the shivers up and down the back of the labor movement is the ill-considered prediction that employers will now go hog-wild in exploiting their every advantage under the new law and consequently make life miserable for unionists. Undoubtedly some unenlightened or embittered employers will try this. But they will be largely disposed of by competition. In most industries, the measure of efficiency necessary to survival is the productivity of workers, and in this age high productivity does not obtain where employees know the boss is out to give them a dirty deal.

This is not to say that many phases of the law are not open to diverse legal interpretation and that employers will not honestly strive to benefit accordingly. But those versed in industrial relations know that legal benefits that vitiate human values simply do not pay out. And as to employers scheming to undermine their unions by precipitating elections in season and out, this is a course which most industrialists would not dare pursue for fear of jeopardizing their public relations, not to say debasing their internal relations.

There is no gainsaying that a revolution has occurred. That so many unions should seek and employers grant "immunity" to the provisions of a national law is evidence that something drastic has taken place. Because features of this law are unpalatable to labor is not evidence, however, that they are deleterious.

No one would rationally maintain that any law can make people work

happily and productively together. If the ultimate result of the present legislation is the return of labor-management affairs to labor and management, however, the painful process by which this has been achieved will be justified. Such a condition will require and, I believe, effectively produce management genius and integrity in fullest measure. If it endures it will demand the same qualities of labor.

BY MARTIN DODGE. *The Public Relations Journal,* September, 1947, p. 2:5.

Have You Planned Your Christmas Party?

CHRISTMAS parties are traditional with American corporations. The type of party—who comes, when it is given, where it is given, what happens—varies almost from company to company, however. To get a picture of current practice, the Industrial Recreation Association recently surveyed its members on the subject. Some of the findings, presented here, may be helpful to companies planning 1947 events.

Broadly speaking, there are six kinds of parties reported by IRA members: (a) plant-wide affairs for employees only, (b) for employees' children, (c) for employees and their children, (d) for all children of the community under 12, (e) for office and supervision only, and (f) separate parties by the various departments of the plant. More than half the companies surveyed do not include children in their Christmas plans.

Bridgeport Brass schedules an office party on the afternoon of Christmas Eve; no elaborate program, just a buffet lunch and an orchestra to dance to. The company stands the expense. Other departments hold their own parties, self-financed. The Foreman's Club always gives a party for the Boy Scout troop it sponsors.

In addition to children of employees, S. C. Johnson & Son invites the youngsters from a nearby orphanage. F. C. Huyck & Sons aims its party at the needy children of Renssalaer. Names of deserving children are secured from public and parochial schools and cross-checked against a list furnished the company by the city welfare department.

General practice seems to be to hold children's parties either on the Saturday morning or afternoon before Christmas, and to hold parties limited to adults on the afternoon of Christmas Eve if the party is within the plant, and on some other convenient evening if it is held outside the plant. Where parties include both children and adults, the tendency seems to be to begin the party in early evening and get the juvenile portion of the program out of the way by mid-evening. Plants with shifts sometimes begin the parties in early morning and run through to late evening.

In Chicago, Spiegel traditionally is closed the day before Christmas, so it holds its parties on December 23, if a working day, beginning about noon. Festivities open with departmental parties; then at 2:00 p.m. a holiday program is sent over the plant broadcasting system, and after the president of the company speaks briefly, everyone goes home until December 26.

Generally speaking, the companies

stand the expense of Christmas parties. More often than not, the affairs are separate and apart from the recreation budget. A breakdown of returns from the present study shows 28 companies standing the entire bill, 12 charging it into the recreation budget (which is often company-underwritten), eight companies where the employees assume the expense, and three instances where costs are shared on a 50-50 basis by the company and the union. The likelihood that the employees carry the expense burden, with little or no company contribution, increases as the parties approach the departmental type, with no plant-wide activity.

Depending on the size of the firm, a single steering committee takes care of all the plans for the party or the overall planning is broken up into its elements, each of which is assigned to a separate committee—e.g., a committee on entertainment, refreshments, tickets (where necessary, as when children of employees need to have identification, or when the event is held in a hotel, theater, or auditorium), gifts, decorations, publicity, clean-up after the party, finance.

Following are the promotion channels used by companies responding to the present study: a mimeographed invitation to each employee from the president of the company; articles in the employee magazine; posters on plant bulletin boards; announcements over the plant public-address system; word-of-mouth through supervisors and department heads; circulars distributed at the time clocks; payroll envelope stuffers; publicity in local newspapers.

The problem of presents for children is an important one. Many companies do not seem to realize the significance of the "Santa Claus Attitude" as a vital factor in every child's growth. Because of this lack of understanding, some firms seem entirely to neglect planning for youngsters, while others do a grand job. For example, Acme Steel Company of Chicago, which last year held a party attended by 2,175 youngsters, presented each child with a toy, two oranges, two apples, a bag of candy, peanuts, and animal crackers, at a cost for the entire party of $2.29 per child. Botany Worsted Mills, Passaic, N. J., carried the Christmas theme by presenting boxes of candy and filled stockings to each child.

Some companies have presents for every adult, others award door-prizes. Scholl Manufacturing Company gives away a substantial door-prize; last year it was a radio set. Kraft Foods, at its Christmas breakfast, places some sort of memento at each plate—an American flag on a standard, a booklet of Christmas carols, a candle shaped like an orange, etc. Owens-Illinois, at some of its plants, gives all children the same present, then holds drawings for more substantial gifts, including live puppies, large dolls, etc. Gruen Watch Company, which holds an adult party, finds door-prizes adequate. Rochester Button Company gives corsages and boutonnieres only. Indianapolis Power & Light, using a downtown auditorium, holds a prize drawing for 250 gifts carefully selected to be acceptable to anyone lucky enough to win.

Furnishing entertainment for children is not difficult. Most companies follow roughly a pattern of: (1) Santa Claus; (2) cartoon movies; (3) clown, magician, or trained dog act; (4) singing; (5) distribution of gifts.

Columbia Chemical Division of Pittsburgh Plate Glass Company, Barberton, Ohio, hires talent from a children's dancing studio in Akron. The

entertainment, which lasts for an hour and a half, consists of singing, dancing, and short skits put on by about 20 young boys and girls. The program pleases all, from the youngest to the oldest. This is followed by Christmas carols and three movie cartoons. Santa Claus keeps circulating through the group, passing out candy to the kiddies during the course of the evening.

How to Start a Hobby Show

PERSONNEL directors are invariably astonished at the many indications of talent to be found in the average plant or office—the ability for performing delicate, precise work on model planes and boats; for producing paintings, etchings, fine examples of woodworking. Because this is the sort of thing that psychologists agree should be encouraged, a company which promotes such away-from-work activities is doing a good job of helping to keep workers healthy, mentally and physically.

Many a company has found that a hobby show not only encourages those who have hobbies but also awakens in those who do not have an interest in collecting, handicraft, or other creative work. All that is needed is space for the display, promotion in the employee magazine, and a few enterprising men and women on the hobby show committee to keep things going.

A printed insert in the employee magazine will serve as an entry blank for those who have examples of workmanship to exhibit or who have acquired a collection suitable for display. On this entry form should be listed the items suitable for display, which the employee may check if he can take part in the exhibit—e.g., ship and airplane models, paintings, etchings, needlework, furniture, weaving, painted tinware, pen-and-ink or pencil sketches, basketry, lamps, bookbinding, carving, stamp collections, miniature objects of all kinds, dolls, music records, sheet music, buttons, etc.

After the entries are secured, the exhibit committee must classify them and make careful notations of the material to be exhibited, so that suitable space for the exhibit may be chosen and an attractive arrangement devised. Then a record must be made of the material in the exhibits, signs must be made and the display set up in proper order. Finally, arrangement should be made for a photographer so that pictures of the exhibits may be included in the employee magazine.

Don't be disappointed in the first show, for the initial exhibit is not generally a huge success. Once the first attempt has been made, however, employees will look forward to each annual exhibit with keen interest. Experience has shown that the second exhibit of this type will run from three to four times as many displays.

—*Dartnell Industrial Relations Service*

Weekly Earnings Hit New Record

AVERAGE weekly earnings in manufacturing plants rose to a new record of $50.42 in September, more than double the figure of prewar 1939, according to the Bureau of Labor Statistics.

The September peak was reported to be $1.25 above that of August—an advance that was credited to overtime. Average hourly earnings in September soared to $1.20.

While the actual increase in weekly earnings between 1939 and today is more than 100 per cent, a Bureau chart indicates that this represents only a 30 per cent hike in real earnings.

It was the first time on record that weekly wages exceeded $50. In the durable goods line they were $53.96; in non-durable goods industries, $46.79.

In September the average workweek in manufacturing plants was 40.3 hours, in contrast to 39.8 in August. In durable goods, the workers were employed 40.5 hours and in non-durable goods 40.1 hours.

—*The Wall Street Journal* 10/21/47

An Incentive Plan for Supervisory Personnel

THE success of any supervisory incentive plan is dependent in no small measure on four fundamental conditions: First, the plan should be based on definite performance factors which can be accurately compared with standards established for this purpose. Second, these factors and their influence on earnings should be fully understood by supervisors. Third, the amount which can be earned should be sufficient to induce supervisors to put forth their best efforts. And, finally, payments should be made promptly and regularly, without too great a period between the time the extra work is done and the date of distribution.

The performance factors, which can be selected to fit any type of manufacturing, usually include increased volume, reduced scrap, and decreased manufacturing cost. Each of the factors is compared with the performance standards set up and usually each factor is independent of the others. Additional factors may be included to fit the particular problems of a business.

The *volume* factor, which might constitute one-third of the amount earned, can be a simple comparison of output with a standard satisfactory to the management and determined by past performance or plant capacity. An output exactly equal to standard would then pay 100 per cent of the amount set up for that factor; an increased output would pay proportionately more in direct ratio to the increase; and vice versa, until, at a break-even volume point, such as 60 per cent, no bonus would be paid.

The *scrap* factor, which might constitute another third, is also a comparison of actual scrap percentage with the standard set, with an additional 5 per cent bonus, for example, being given for each one per cent reduction below the standard; but no payment on this factor is made if the standard per cent is exceeded.

The *cost* factor, the final third in the list, is a comparison of actual performance with the standard, usually a budget. Here again, for each one per cent reduction below standard costs, an additional 5 per cent can be added to the amount to be distributed. It is necessary, however, in the case of lowered volume, to reduce the amount of payment more rapidly if costs exceed the standard, and to eliminate all payments if this excess should reach the break-even point in company operations.

The factors used should be clearly explained to supervisors so that they will all know just how the earnings are calculated and how their individual efforts can influence the amount they will receive. Also, reports should be made to the supervisors at least weekly, or if possible, daily, showing their performance in comparison with the standards. They will then be in a position to concentrate their efforts on any weaknesses adversely affecting their earnings.

The amount set aside for the plan should be sufficient to make it worth while; possible bonus earnings of approximately 25 per cent of the base salaries usually are satisfactory. Payment of the amounts earned should be made promptly and regularly, on a monthly basis if possible. Long intervals between payments cause the supervisors to lose interest in the plan, and

irregular distribution dates create questions and dissatisfaction.

Computation of payment on the over-all basis of plant-wide performance is suggested because of the difficulty sometimes found in fixing responsibility for scrap. Furthermore, by having the plan based on plant-wide performance, any supervisor attempting to coast along will be prodded into action by his associates, thus making the job of top management that much easier.

Reward for outstanding individual effort can be provided, however, through a point system, by which each participant is allocated a definite number of points, on which the distribution is based. The value of each point may be determined monthly by dividing the actual incentive plan earnings by the total number of points allocated to the participants. The number of points allocated to each supervisor should be reviewed monthly and increases given for outstanding performance.

To illustrate the actual mechanics of the plan, the following hypothetical case is given. The John Doe Manufacturing Company has a productive capacity of 100,000 units per month. With a cost of $10 per unit—mostly for direct labor and overhead—the break-even point is 60,000 units per month. Scrap averages 6 per cent and production is running 70,000 units per month. The supervisory staff consists of 10 general foremen, 20 foremen, and 40 assistant foremen. The combined salaries of these supervisors are $28,000 per month. The standards set up are 70,000 units for volume, 5 per cent for scrap, and $9.90 for cost.

It has been determined that the amount set aside for the monthly bonus, if the standards are exactly equalled, will be $7,000. Initially the points are divided 10 to each general foreman, 8 to each foreman, and 6 to each assistant foreman, making a total of 500 points, with the value of each point $14 for standard operations at standard. During the first month of operation they produce 70,000 units at a cost of $10 per unit with 6 per cent scrap. They therefore receive their volume bonus in full, amounting to one-third of $7,000 or $2,333. No payment was made on the scrap factor, but a 50 per cent payment, amounting to $1,167, is made on the cost factor. The total bonus is therefore $3,500, or $7 per point.

The foregoing plan has been used successfully, and is relatively easy to sell to management since the additional compensation is paid from part of the profits produced by the plan itself. Such a plan is self-policing. Aside from its effects on productive efficiency, it is a potent force for morale and may mean the difference between satisfaction and dissatisfaction on the part of middle management.

By J. J. Bigge. *N.A.C.A. Bulletin*, July 1, 1947, p. 1325:5.

• BIRTHDAY CAKES in the company restaurant for every employee birthday turned out to be one of the best employee relations ideas yet found by a company employing about 250 people. Some days several cakes are needed, other days none; but the average is about one each working day. In another office with fewer people, the girls find a bouquet of flowers on their desks on birthdays. This idea also makes a big hit with employees. A few small gestures such as these can go a long way toward creating a pleasant, friendly, work atmosphere.

—*American Business* 7/47

Pay Differentials for Supervisors

APPROXIMATELY 96 per cent of the respondents to a survey on pay differentials, just completed by the Conference Board, report "constant alertness" to maintain adequate differentials between rates paid to workers in the ranks and rates paid to supervisors.

The largest number of the cooperating companies (36 per cent) attempt to maintain satisfactory differentials between the rates of supervisors and the rates of those supervised by granting both the same percentage of pay increase. In several cases, however, limitations are placed on this type of increase.

Approximately 10 per cent of the participating companies maintain an arbitrarily set differential between supervisory and non-supervisory rates. Two out of five of these maintain a differential of 10 per cent. The differential in one out of five companies is 25 per cent; in the same number of companies the differential is 20 per cent.

In less than 20 per cent of the companies, increases in supervisory rates are similar to the increases awarded to non-supervisors, but are not the same. Such increases are not necessarily given at the same time as the wage-rate changes.

Among the remaining third, the differentials "vary considerably." In the majority of cases, however, it appears that "individual merit is the prime determinant."

—*Supervision* 9/47

The New Rutgers Institute of Management and Labor Relations

THE State of New Jersey has taken a constructive step to smooth out the angles of the management, labor, and public triangle. On June 19, 1947, Governor Driscoll signed a bill establishing at Rutgers University an Institute of Management and Labor Relations with the express purpose of conducting educational programs leading to industrial harmony and improved public welfare.

The Institute is charged with establishing convenient centers throughout the state where such programs can be offered designed "to bring about among management, labor, and the public better understanding of their mutual problems and obligations." Tuition is free to residents of the state.

Prominent New Jersey citizens, equally representing management, labor and the public, were selected by President Robert C. Clothier of Rutgers to serve on an Advisory Council. Dean Norman C. Miller of the evening divisions of Rutgers, originator of the first Industrial Conferences and Labor Institutes conducted at the state university, was appointed director.

Dean Miller looks upon the new Institute as a real opportunity to resolve misunderstandings between the three groups, but he hastens to caution that the educational process will be long and unspectacular. "We have to get down to the roots of the history, objectives, and purposes of each group before we have a sound base for understanding and mutual cooperation," he says.

The staff for the Institute was completed October 1 with the appointment of George T. Eppley, formerly assistant director of industrial relations of the American Sugar Refining Company, who will have charge of the management programs. Irvine Kerrison, formerly associated with the workers' education programs of the University of Michigan, has been assigned to labor programs; and Dr. Richard H. Wood, formerly manager of industrial relations of John A. Roebling's Sons Company, will be in charge of research activities.

Problem Washed Out

BRITISH management's latest attempt to solve one of the problems of the worker who is also a homemaker is the provision in factories of work laundries. Factories install washing machines, and women employees take turns in using them. While the machines do the washing, the women return to their work.

So successful is this "Washing while you work" scheme that in some cases men are also using the machines.

—*Business* 10/47

The LMRA—A Public Paradox

TO all appearances, when Congress enacted the Labor Management Relations Act of 1947, it enacted, not a Public Law (No. 101), but a Public Paradox. The Act, popularly designated as the Taft-Hartley Bill, has, since the hour of its enactment, been subject to vehement attack, defiance, and circumvention on the part of labor. It has, in instances, been laid aside by management in its negotiations with labor. And it has incurred the disfavor of the majority of the American public, or it has been ignored by that majority.

Why should the provisions of the LMRA so quickly promise to lose the status and dignity of federal law?

First, the general public does not know what the LMRA is. They do not know its connection with the reforms they asked for in the last Presidential election. They do not know its connection with the long years of Congressional debate and abortive effort to amend the Wagner Act. They do not know that it is the climax of a nonpartisan desire to set up in this country a permanently equitable and harmonious *modus vivendi* between labor and management and between these two and the general public.

Second, to the extent that the general public is informed about the LMRA, its information has come from one source—the voice of labor leaders. The labor leaders have made themselves heard collectively and individually. Management has been silent individually, and ineffective collectively. According to the reports of the Gallup Poll, 61 per cent of our general public have heard of the LMRA. Of the 61 per cent, 39 per cent disapprove of the Act, 53 per cent believe it should be repealed or revised. Yet of the informed 61 per cent three out of every four are unable to cite a single satisfactory provision in the Act; and almost seven out of every eight of them are unable to cite a single unsatisfactory provision of the Act. The sum total of their information about the Act is: "It's a 'slave-labor law'."

Third, the general public has seen fit to give more weight to President Truman's opinion of the bill (a politically strategic attitude) than to Congress's opinion of it as expressed in its vote which overrode President Truman's veto—331 to 83 in the House, and 68 to 25 in the Senate.

The next step in this national situation falls to management.

And the next step is: to begin at the beginning—to inform the general public (in which are included union workers and non-union workers) about the LMRA.

The general public needs to learn from management what the over-all spirit and purpose of the LMRA is—namely, to establish open and equal rules of conduct and negotiations between management and unions, between unions and their members, and between employers and their employees; and to restore basic liberties to the individual worker.

The Act declares a worker's right to have a job and his right to strike. And these two liberties are supported by a responsibility: the responsibility of the worker for no breach of contract. It further enhances his personal liberties by decreeing procedures that will (1) make the unions true instruments of his welfare rather than dictatorial giants using him as a pawn to power; and (2) open the doors to direct interchange of views and information between him and his employers.

Naturally, it will be possible for management to convince the general public of the basic democratic spirit and purpose of the LMRA only when it lists before the public's eyes the specific provisions of the Act and shows clearly how its specific provisions affect the daily life of union workers and non-union workers.

This step calls for a recitation of the equal and parallel rights and responsibilities which the Act confers to unions and to management. And the soundness of these rights and responsibilities can be best demonstrated to the public by case histories out of the recent past that illustrate both the *pro* and the *con* of the rules of the Act—and that of themselves sell the reasonableness of the rules.

Finally, management must, in this educational process, show the general public how abundant, acceptable and profitable are the alternatives to the "right to strike" which the LMRA sets forth. The patterns for negotiation in the Act give the widest latitude to local settlement.

Fully appreciated, the Act will show the general public that discussion and negotiation pursued to their utmost limits are more profitable than "test" legal actions taken in a fit of temper, more profitable than deliberate defiance and circumvention.

By William J. Moll. *Printers' Ink,* September 5, 1947, p. 144:1.

Are Companies Educating Employees on the New Labor Law?

A SURVEY was made by *Mill & Factory* among all types and sizes of manufacturing companies to learn to what extent industry has set up educational programs for employees to explain the Labor-Management Relations Act of 1947 and to show how it will benefit workers, both as union members and as individuals. The survey also queried management about the attitude of employees since the law was passed.

Some salient findings:

1. The Labor-Management Relations Act has had no visible adverse effect on the attitude of employees toward the companies and their labor relations policies, 97 per cent of the respondents state.
2. Complications due to the law are anticipated by 10 per cent of the respondents at the time of union contract renewal.
3. Seventeen per cent of those responding are endeavoring to explain the new law to their *rank-and-file* employees or to show how the legislation will benefit them.
4. Of those respondents endeavoring to explain the law to the rank and file, the majority are doing so by giving simplified explanations of the law, by meetings, by discussions with union committees, by explanatory articles in company papers and magazines, etc.
5. Fifty-seven per cent of the participants are active in explaining the law to supervisory personnel.
6. Of those respondents who are active in explaining the law and any resulting changes in company policies to their supervisory personnel, the greatest number—78 per cent—are doing so by giving such personnel simplified explanations of the law and by conducting lecture sessions.

—*Mill & Factory* 10/47

• THE PERSONNEL MAN in a large organization insisted on keeping a large bowl of goldfish on his desk. When a friend asked why, the harassed-looking individual replied: "Well, frankly, it's a novelty to have something around here that opens its mouth without asking for a pay increase."

—*Christian Science Monitor*

PRODUCTION MANAGEMENT...

The Future of Wage Incentives

THERE is no future for wage-incentive systems which were ill conceived by misguided industrial managers and unprincipled, so-called efficiency experts and rate-setters. Nor for plans of a "stopgap" nature which have been installed in recent years—or otherwise sound existing plans which had "stopgap" features injected into them. Fully 80 per cent of the plans now in operation are in this category. Many of these plans are retained through sheer stubbornness on the part of management that too often does not take the trouble to examine the plan that seems to be lodged in the union's craw.

Many such plans have been scrapped because the labor force would not work under them. Only here and there have managements and unions, upon finding their incentive plans unsound, cooperated in revamping their programs or in completely tearing out the old plans and installing new ones. Such occurrences—few though they are—constitute the only bright spots for future wage incentives.

Cooperation between management and the labor group is the key to sound incentive plans. It cannot be obtained through any magic formula, but its ingredients are very well known.

First, management must be thoroughly honest; and this honesty must be evident at every turn. Second, management must be what it asks labor to be; if it asks labor to be efficient, it must be efficient. Third, management must display a great deal of patience to explain, to teach, to discuss, and to explain some more. And, fourth, it must present a sound plan which has been carefully thought out so that there are no details that cannot be fully and honestly clarified.

It is simple enough to indicate that a sound plan is imperative, but what makes an incentive plan sound? If we would learn from plans that have succeeded and those that have failed, the following principles are in order:

1. A good production standard is the first prerequisite. But no incentive system will operate effiectively if a standard is not, first, correctly established through thorough time study and standard data; and, second, carefully maintained—i.e., adjusted as changes occur in:

   (a) Job conditions where allowances made for unavoidable delays are either too large or too small.
   (b) Dimensional requirements, surface finishes, number of spots or length of weld, and so forth.
   (c) The condition of the raw material that comes to the work center for processing.
   (d) Machine speeds and feeds and tool arrangements in the setups.

2. The incentive worker must be able to earn enough above his guaranteed base rate to be tempted to attain higher and higher working efficiencies. However, additional earnings must come as a result of additional effort. Potential bonus earnings from 15 per cent to 35 per cent may be required, depending on the type of work performed.

3. The plan should reward the worker in direct ratio to the increased output due to increased effort. If there is 1 per

cent increase in production, there should be 1 per cent increase in earnings.

4. If an incentive plan is to operate effectively, hourly base rates for incentive workers should be equal to hourly base rates for like jobs, and these base rates should be determined according to some systematic evaluation of the attributes distinguishing the different jobs.

5. The plan must be easy to understand and allow simple timekeeping and payroll procedures. Employees must be able to calculate their earnings and understand the workings of the plan thoroughly. We all know that workers are pretty good calculators. Some have little black books with their earnings that sometimes prove more correct than the payroll records.

6. The premium earnings must be paid to the worker who earned them with as little lag and hold-over as possible. The more immediate the payment of the bonus, the greater the spur of the incentive plan.

7. Any necessary adjustments to production rates—permanent or temporary—must be made by the time study man, not the timekeeper, or the foreman's clerk, or the foreman. Shop conditions necessitate changes in rates to compensate for changes in job conditions, tools, setups or equipment; however, this adjusting should not be uncontrolled.

8. A clear-cut statement specifying when a standard may be changed must be in existence and rigidly adhered to by management and the worker organization where one exists. Management must be doubly sure that all practices are above any suspicion on this point.

9. A complete, written wage policy must be in existence. Such a policy should be formulated before the incentive plan is installed. If it is written after the installation, it will consist of compromises reached after grievances have been decided. A successful policy will contain the following:

(a) A description of the incentive plan.
(b) A description of the time study methods.
(c) A description of the method of leveling to bring the time to average performance.
(d) A description of the allowances for personal needs, unavoidable delays, and fatigue, and an example of the calculations involved.
(e) An explanation of standard data and its origin.
(f) An explanation of the method of calculating earnings.
(g) A presentation of the rules governing transfers of employees to new jobs with different base rates.
(h) A detailed explanation of the timekeeping procedures utilized.

10. Finally, the plan must be constantly policed and maintained in good working order. Failure at this point has destroyed more incentive plans than any other one failure. A plan cannot really be maintained in good working order unless it is understood by the different levels of management—the foremen, the superintendents, the factory managers, the personnel directors, the tool designers, the product designers, and the production control managers.

These principles must be lived up to in a *good, practical plan.* These are *not* requirements for a *theoretically perfect plan.* To the degree that incentive plans now in existence do not measure up to these requirements, the future of wage incentives is damaged.

Consider the requirement that the incentive plan reward the worker in direct ratio to the increased output due to his increased effort. This has been ignored to the detriment of incentives! First, we got gain-sharing plans. These were the now-you-get-it-now-you-don't plans which succeeded in

convincing the workers that they were stupid, indeed, to be taken in thus by management.. Frankly, a 50-50 plan allows the worker to earn about 40 per cent and then takes 20 per cent, or a half, away from him. The worker is pleased with such an arrangement about as much as he is pleased with the income tax he must pay.

Then we have the large group bonus plans. The war brought on a new batch of them. Here, in effect, management said to the workers: If you increase your production, you will get more money in your pay envelope. We can imagine a worker who is in for his first experience with such a plan. He has been producing, say, five assemblies a day. Now he really hustles and produces 15 a day for a pay period. He dreams of earning three times his usual pay. But comes, the pay day and he gets a magnificent bonus amounting to 10 per cent of his pay! We can well imagine what success we would have in interesting him in another bonus plan!

Guaranteed hourly base rates for incentive workers must be equal to hourly base rates for like jobs. This is another requirement of sound incentives that is often mishandled to the point where the incentive plan is hurt. The difficulty that comes of basing incentive earnings on midpoints of rate ranges is apparent. For example, with a rate range of $1.00 to $1.20, the midpoint of $1.10 is used for calculation of incentive earnings. Thus a beginner gets $0.10 raise when he is transferred to an incentive job while the older employee who is at the top of the range gets a $0.10 cut. Usually, under these conditions, the time study man establishes rates so that the $1.20 an hour man can beat the rate by about 20 per cent. In this way the time study man does not have a grievance on every rate he establishes, but the incentive system is being dangerously undermined.

From an address by E. A. CYROL before the Time Standards & Methods Forum of the Manufacturers' Association of Racine, Wisconsin (*Industrial Management Bulletin,* Industrial Management Society, Chicago, Ill., September-October, 1947).

A Record of 60 Years' Growth

THE flow of finished commodities produced by United States industry grew more than eightfold between 1879 and 1939, and underwent marked changes in composition, according to a study by William H. Shaw just released by the National Bureau of Economic Research.*

Measured in prices currently realized by producers, the flow of finished commodities increased over the 60-year period at an average annual rate of 4 per cent. If the long-term rise in prices over the period is eliminated, the average annual rate of growth in output measures 3.2 per cent, a figure which still considerably exceeds the 1.3 per cent by which population grew annually over the period, Dr. Shaw points out.

The output of durable increased almost twice as fast as the output of non-durable consumer goods. Out of every dollar of finished commodity output in 1879, 18 cents represented durable and 82 cents non-durable commodities. In 1939 the output dollar was divided 30 cents for durables and 70 cents for non-durables.

"Most of the expansion in durable consumer goods," Dr. Shaw finds, "was due not to older products but to three new classes: automotive equipment, household electrical appliances, and radios. To some extent these new classes superseded

* *Value of Commodity Output Since 1869.*

older ones—motor vehicles and parts taking the place of horse-drawn vehicles; electrical appliances, of non-electrical; radios, of musical instruments and phonographs."

"In recent decades the relatively greater consumption of packaged foods and the marked rise in drug, toilet, and household preparations," reports Dr. Shaw, "all helped to maintain the share of the perishable group." Among other non-durables, the increased production of ready-made clothing led to stability in the clothing group but a loss of importance for dry goods. Shoes declined, but light house furnishings increased in relative importance. Among producers' durable goods, electrical equipment increased one hundredfold.

Output of durable commodities fluctuates during business cycle movements from two to three times as much as the output of non-durables, the report finds. The share of non-durables in total output is found to increase in periods of business depression, when prices in general decline. "These facts indicate," Dr. Shaw states, "that during periods of sharp price variations commodities for which demand is more postponable expand or contract more rapidly than commodities for which demand is less postponable."

Bonus Plan for Safe Working

AT the Maryvale, Victoria, mill of the Australian Paper Manufacturers, Ltd., sustained employee interest in safety is assured by the use of a bonus scheme.

In essence, the scheme is to pay a financial bonus for an accident-free working period in any department. The foremen and employees of the mill are divided into 15 groups of not more than 70 members each.

Each group has been given a bogey number of days, which has to be completed free of any lost-time accidents before a bonus is awarded. This bogey was based on the accident record of the group and to an extent on an appraisal of the work of the department. The period has to be long enough to provide an incentive for the men to attain a definite goal, but not so long that it is impossible to obtain a bonus in practice.

When a group completes a bogey period without a lost-time accident, the members receive a bonus of one and one-half shillings each. If they complete a further consecutive period without a lost-time accident, the bonus rises to three shillings and stays at that level until they have a lost-time accident. Should a member of the group sustain a lost-time accident, then the group must start its bogey period again from the beginning.

—*Manufacturing and Management* (Melbourne, Australia) 7/15/47

Ten Machines in One—And One Operator

TREND in mass-production metalworking plants favors transfer-type machine tools. Reason: One or two operators can produce as much as a whole line of single machines operated by a much larger group.

Before the war, machine builders conceived potential savings from combining a group of machines into one, adding mechanisms to transfer the workpiece automatically from station to station. The idea caught on fast after aircraft engine plants successfully tried out long, complicated machines during the war. Now a number of machine-tool builders are competing for the business.

One recent installation is the Greenlee 10-station machine that drills 89 holes in a Buick cylinder block at Flint, Mich. One operator runs it with a pushbutton.

In-line transfer is most common. However, some machines operate in a square or circle, returning work to the starter for unloading.

—*Business Week* 7/19/47

• UNDER TYPOGRAPHICAL UNION LAW, says a Twentieth Century Fund report, advertising plates and matter set up in outside print shops may be accepted by newspaper composing rooms only if duplicates are set up in the newspaper plant and discarded.

MARKETING MANAGEMENT...

Industry Further Improves Its Selling

MANY outstanding companies are aware that some day it will be hard to sell their products. Accordingly, they are using scientific methods straight across the board for larger markets, better products, lower costs, and a good batting average in new ventures.

Merging is one good way to broaden markets, if the price is right and the outlook good, yet sometimes you hear, "We haven't time to make a check." A large company in the drug business bought a small firm with good past earnings to round out its style line. (Hurry to file the SEC registration.) Soon after, the popularity of the merchandise ebbed, sales slumped. Loss, $2,000,000. Here is one the other way around: A prosperous building-material company was considering merger with a firm needing money and management. Market studies showed the other firm had a fine outlook, the two fitted well together, and one sales staff could handle both lines. It is working out profitably.

Another trend is the taking on of wholly new lines of business—sometimes to assure a supply of raw materials (GE bought Mahoning Steel), sometimes to diversify sales (Kraft Cheese makes such a variety of products its name has been changed to Kraft Foods).

The spreading out of operations is also continuing. Since the war many new plants have started up, especially for locations in the South and West, where markets are growing. Numerous problems are posed by these moves: One, where to locate the new plant so as best to serve the markets, to secure low costs, and to realize freight savings; another, which products to make; still another, how to decentralize selling. Market research is being widely used here. Facts are obtained on costs, on the size of the market and its permanency, on competitive conditions.

Research is also being applied to handling, shipping, and storage costs. A few recent betterments: Palletizing with fork trucks—sometimes starting with assembly on pallets—is cutting costs 25 to 50 per cent where the method is practicable. Added freight and handling charges are offset by use of lightweight expendable types, turnaround and pallet pools. In one case the loading, unloading, and storing man-hours were cut 85 per cent. Even the shipping of oranges is being experimentally palletized. Other savings come from handling in larger units, multiple crates, double-size cartons, special-type packages, sprayed-on coverings, and modern packaging machines—all new.

Another trend—"cut out the middleman"—is again with us. Yet changes here are not lightly undertaken, and few are actually being made. A few companies are checking whether or not to omit jobbers in special territories. In some lines the further use of wholesaling gains volume by quick delivery of goods, betters credit relations, intensifies selling, and gives access to voluntary chains. Another perceptible trend is the development

of new retail outlets for new products, mostly through direct selling, backed up by market research.

Industry is checking a besetting tendency to hold on to all customers whether profitable or not. Concentrating in good areas—not again taking on unprofitable prewar territories—is another improvement. Planning for selective selling, both in customers and areas, is being based on actual market data and cost figures.

Some companies are concentrating on profitable products—pruning lines, reducing the number of slow-moving sizes and styles, getting rid of loss items which do not fit the business and are hard to sell. Field checks answer the question of how total sales will be affected, if at all. In one company where 80 per cent of the volume came from half its 300 products, the manufacturer improved his net $100,000 annually by pruning the line.

Developing new uses for established products—a type of research highly successful in broadening sales—is going on most everywhere. The sales manager of a large building-supply company serving several hundred points in the Middle West checked his market, found a great deal of cement bought in Oklahoma, Kansas, and Texas for cementing in oil wells. This was news to him. His men started to call on oil companies, and within two months cement sales increased 42 per cent at little additional out-of-pocket cost.

Of course there comes a time in the life of many items when new uses and promotion no longer freshen sales. It is time to get something new, a new design or a wholly new article. Some lines are getting severe jolts from the products of other industries. Electric razors are cutting into the sale of shaving soap, wall board is crowding plaster, nylon is pushing silk aside. Market research is doing well with new products, telling management what buyers want and what the dealers want to sell.

The twin problems of selection and training are being attacked in the building up of sales forces. Men who have come into selling during the past five years don't know what tough competition is, so training programs are being established to fit them. Modern practice rests on certain generally accepted ideas:

Salesmen sell best when they know the product and its uses, the company's policies, etc.

Selling is an individual job which each man can do best in his own way. Trainees are therefore being guided to develop their own skill, not spoon-fed from the platform.

Visual aids and other modern sales tools speed up training and heighten its effectiveness.

One-shot training soon wears off. Training must be planned in a continuing form.

Shot-in-the-arm incentives, contests, special awards are invariably followed by a letdown.

Selecting and training salesmen costs money. Prewar average per salesman in one line was $1,200; in another, $3,500; today it is higher. But managers realize that money spent for training brings returns. They are also learning that salesmen must have a proper standard of living, be paid for accomplishment, that credit and praise go a long way, that money is not the only incentive—never a substitute for supervision and leadership.

From a study by Ford, Bacon & Davis, New York.

A Yardstick for Salesmen

A SURVEY which the Grocery Manufacturers of America, Inc., made through their member companies may give some valuable hints to sales executives in other lines of industry where retail salesmen perform similar functions.

The median number of calls per week for retail salesmen is 75 in the city and 65 in the country . . . 60 per cent report regular Saturday work, 20 per cent occasional Saturday work, and 20 per cent no Saturday work . . . 80 per cent of the retail salesmen sell from their cars, and 80 per cent of these secure their supplies from wholesalers.

Salesmen are bonded in 90 per cent of the companies . . . 10 per cent of the respondents report union organization of salesmen . . . four out of every five companies have some social benefit programs for salesmen of which the following are the most frequently mentioned: group insurance, life insurance, retirement and pension, family hospitalization, health insurance, and accident insurance. Only in the case of hospitalization do any of the companies ask the salesmen to bear the entire cost.

In approximately one-half of the companies, the district sales manager handles certain key accounts. . . . The companies having division sales managers define the function as a general supervision of sales and merchandising and promotion effort within the division. In addition, a third of the companies indicate that their division sales managers personally contact key accounts.

Straight salary continues to be the most common method of compensation in the grocery field. So far as retail salesmen are concerned, 70 per cent pay a straight salary, a scattering few pay salary and commissions, and the balance pay a salary plus bonus. . . . The median salary is between $51.00 and $60.00 per week for retail salesmen, $61.00 to $70.00 per week for jobbing salesmen, and $101.00 to $125.00 for district sales managers. The most frequently quoted salary for division sales managers is $200.00 per week.

—*Sales Management* 7/47

Census Bureau Estimates Show Population Shifts

MARKETING men have long been asking: What happened to the nation's population during and after the war? The Bureau of the Census gave its statistical answer this week. Since the last national nose count was in 1940, the figures are only estimates.

According to Census officials, the total population of the nation, excluding armed forces overseas, was 139,893,406 on July 1, 1946. This was a gain of 6.2 per cent over 1940, 6 per cent over July 1, 1945.

Pacific Coast states showed the greatest gain. Their 1946 population was 36.2 per cent ahead of 1940's, 5.4 per cent ahead of 1945's.

New England showed a 1946 gain of 7.2 per cent over 1940 and 8.7 per cent over 1945.

East South Central states lost 1.2 per cent of their population between 1940 and 1946. But the trend had reversed: 1946 showed a 3.8 per cent gain over 1945.

Washington, D. C., gained 27.2 per cent over 1940 but lost 4.2 per cent of its population from 1945 to 1946.

—*Business Week* 8/16/47

Why You Lose Customers

68% drifted away because of your indifference.
14% had unadjusted grievances.
9% buy elsewhere—price inducement.
5% trade elsewhere because of friends.
3% moved.
1% died.

Make your business more profitable by making it more friendly.

—*Illinois Beverage Journal* quoted by *The Advertiser's Digest*

Can a Salesman Earn Too Much?

"A YOUNG salesman goes out into an undeveloped territory, works hard, and eventually makes more money than the president of his company. What, if anything, should be done with his territory and/or his compensation? Perhaps he started on the territory on a small drawing account and commission. As a result of changing times, natural developments in the territory, and personal industry, the young salesman's earnings have grown until they are now out of all proportion to the earnings of inside men. If you cut his territory in two, he doesn't like it. He talks outside and, first thing you know, your company has a black eye because the customers feel you have been unfair."

The foregoing problem, posed by the sales manager of one organization, presents a definite challenge to management. Here are some ideas on this subject submitted to *Marketing* by representatives of various other companies.

One executive suggests that the young salesman be assigned to the position of supervisor or organizer:

". . . Perhaps he should be withdrawn from his territory and trained along supervising or organizing lines for the development of tough districts. It is suggested further that he keep close supervision for some time over the district he has been working, with another man under his supervision who will eventually take over the district.

"A guaranteed salary may appeal to him, even though it be less than his present salary-commission plan—but the salary would have to be interesting. A guaranteed salary has advantages, particularly if some incentive to reach an objective were attached. . . ."

The contributor points out, however, that "it is not always that a 'super-salesman' is apt to succeed either as a trainer or a good organizer. Our own experience with exceptionally qualified salesmen is that they are of the impatient type and usually lack certain organizing qualities so essential to successful organization and supervision. Their trainees may become discouraged because they cannot see the possibilities of 'doing the trick' as the 'super-salesman' does it."

The general sales manager of a flour company says: "We are strongly in favor of reward for merit and results and have tried to line up our recompense to salesmen in this manner. Therefore the more salesmen would earn, the more profit the company would make, and we can't see how any company could go broke doing that. If the man's earnings *are* out of proportion, this might be caused by mistaken judgment in the original setup, at which time, perhaps, the reward for additional business was placed on too high a plane. Even with the proper recompense to the salesman, it is possible that he may make more than the sales manager. We do not consider this an altogether undesirable situation, because we have a yardstick for the salesman's work, and if he does make more than the sales manager, we know definitely that he is increasing the profit to the company that much more. We think the only thing you can do with a man of this type is to continue to reward him for his efforts so long as he is with you. When you replace him with another man on the same territory or split up the territory, however, then it would be necessary to make a readjustment in the new man's earnings."

According to another respondent, outlining for a salesman the benefits derivable from a cut in territory is one way of inducing him to accept such a cut without disrupting his morale. Following are 12 benefits suggested:

1. He can spend more time in the presence of buyers.
2. He will be able to spend more time at home, thus eliminating a common cause for domestic friction.
3. As he will see his customers more often, he can pick up the small orders.
4. This helps dealers to increase turnover on certain lines, thus augmenting the service angle.
5. Because he is closer to his customers, he can more effectively forestall the work of competitive salesmen.
6. Because of the smaller territory, he can get closer to the buyer in the larger companies.
7. He won't have to pass up the smaller towns in his desperate need to cover the territory and get home.
8. He will be able to get better acquainted, more friendly, with customers and prospects.
9. The smaller territory will force him to "dig" for new prospects, and this may lead to new uses for his product.
10. Traveling expenses will be cut down, thus increasing profits payable.
11. He will be able to establish point-of-sale display material more quickly in conjunction with national advertising campaigns.
12. The "satisfied user" testimonial will become more effective when he is dealing with individual members of a closely integrated community or territory.

"Before a new salesman is given a new and undeveloped territory, a careful estimate of that territory's potential should be made," suggests a sales manager who has had some experience in handling the problem of super-earnings by salesmen.

"If the new territory shows evidence that it can be built into a valuable market, it should be divided into two sections. The new salesman is given section A, which is the more promising of the two, but he understands that section B is part of his field also. He understands, further, that he is to work up section B to the point where it can be allotted to another salesman. That point is determined by an agreed-upon volume of sales from section B. When that volume is reached, the transfer is made, and the salesman responsible for the development receives a bonus on the dollar volume of section B at the time of the transfer. We have found this policy to work well in several instances. The original arrangement is clearly understood at the outset, and when the time comes for a change there is no embarrassment on either side."

Marketing, September 13, 1947, p. 2:2.

Love That Salesman

ADVOCATES of the theory that a manufacturers' best friends are his vendors, and that they should be treated as such, are becoming more numerous. Latest proof of this comes from the Heppenstall Co., steel-forging manufacturer in Pittsburgh, which goes all out in a "Welcome" folder for visitors.

Folder has visitor's name written in; advises him he can obtain candy and cigarettes from the receptionist if he has to wait; lists hotel and transportation telephone numbers, and directs him to phones; tells him where restrooms, scratch pads, timetables, aspirin can be had. Names and titles of principal executives are listed, along with company products and some types of purchases. Back carries a city map.

—*Modern Industry* 9/15/47

Developing a Product's Market Potential

WITH the return of competition, manufacturers are increasing their market research activities, and many have initiated studies designed to measure sales potentials. Some guide posts on the procedures involved in such studies are suggested in this article.

Most market potential and sales potential problems can be analyzed by considering three sets of factors: (1) a market appraisal; (2) the ability to buy; and (3) the willingness to buy.

Market appraisal involves taking a quantitative inventory of users or consuming units. The ability to buy is based on one or more measures, or direct or indirect indicators, such as disposable income, wages, rental levels, farm income, etc. Willingness to buy covers such sales-influencing factors as price, advertising, selling and promotional effort.

In determining sales potentials, each firm and each product has an individual problem that must be solved through the use of special data and special application. The following are a few examples of the types of data which might apply in the appraisal of different markets for purposes of measuring market potentials:

> *Passenger cars and trucks:* (1) registration of motor trucks; (2) registration of passenger cars; (3) new car sales; (4) national income; (5) number of families.
>
> *Auto parts, accessories, and equipment:* (1) number of farm trucks; (2) new car sales; (3) number of garages, including total volume of business; (4) number of automotive parts dealers and number of employees; (5) registration of trucks and passenger cars.
>
> *Office machines and appliances:* (1) number of white-collar workers; (2) number of manufacturing establishments; (3) number of wholesale and retail outlets; (4) number of government workers.
>
> *Radio parts:* (1) radio ownership; (2) number of radio stores; (3) number of automobile dealers.

Statistics for the factors mentioned in the foregoing listing may be secured from the sources listed in the following three United States Department of Commerce reference publications: (1) *Statistics and Maps for National Market Analysis,* (2) *A Finding Guide for Basic Business Data by Counties,* and (3) *American Business Directories.* The first and second of these publications are available free from the Department of Commerce Field Offices, and the third may be obtained at 65 cents a copy from the Superintendent of Documents, United States Government Printing Office, Washington 25, D. C.

Sometimes a firm takes on a new product that has not been manufactured before. The following are some of the steps which may be taken to establish the potential market for a new product of this type: (1) evaluation of uses and users through opinion surveys; (2) distribution of samples or descriptions for measurement of consumer market interest in the product; (3) comparisons of the product introduced with products now in use or with variations of the same new products to determine which is preferred, what characteristics provide the basis for preference, and what characteristics are unimportant; and (4) use of such market potential indicators as those mentioned previously.

Many questions arise in the measurement of the possible number of users for a new product and evaluation of the buying habits of users.

These questions are listed in two Department of Commerce publications: *Check List to Help You Introduce Your New Industrial Products,* and *Check List for the Introduction of New Consumer Products.* These pamphlets may be purchased for 10 cents a copy from the Superintendent of Documents, United States Government Printing Office, Washington 25, D. C. or from the Field Offices of the Department.

The quantity and type of industrial products demanded by industrial users are dependent upon the level of activity in the consuming industries. For this reason, the selling companies should have accurate measures of industrial activity. Particularly useful in this connection are the Federal Reserve Board's industrial production indexes by broad commodity classes. The Census Bureau's "Facts for Industry" reports also are helpful guides for determining activity within industry groups.

A firm can prepare an estimate of its own potential sales by using salesmen's reports on each customer, by analysis of tabulations from sales records, and by study and analysis of data available from outside sources.

Market potential indexes for consumer goods usually are computed from a combination of such factors as population, retail sales, income, and number of families.

The Department of Commerce can be of assistance to companies engaged in computing sales potentials. Aids available from the Department include: (1) bench-mark data such as those found in reports on agriculture, business, industry, population, housing, construction, and labor; (2) monthly, quarterly, and annual reports containing estimates of production and consumption of goods; (3) market data handbooks and source-books of market data; and (4) advisory service to business men with reference to sales potentials of specific products. The advisory service is provided by specialists both in Washington, D. C., and in field offices located throughout the country. Most of the published aids are available for reference in libraries designated as depository libraries for governmental publications.

After a market-potential index has been derived, it should be reviewed periodically to determine whether its effectiveness has been impaired by changing conditions.

BY PAUL H. ANDERSON. *Domestic Commerce,* September, 1947, p. 15:5.

PACKAGING...

Package Inserts

A CASUALTY of wartime material and labor shortages, the package insert is coming back fast. And why not? It provides real timing, 100 per cent circulation, low unit cost, no distribution cost, undivided attention value, and expansive versatility.

Now is the time, therefore for packagers to review the well-established advantages of the insert as a low-cost

promotion to be combined with their packaging operation.

By its timing, the package insert constitutes a logical and direct means of building repeat business for your product and for your entire line. It travels in the package with the product and lands directly in the hand (and before the eyes) of an actual customer at the moment the customer is about to put the product into use—when his or her product-consciousness is at its peak. Thus you get positive delivery of your message—100 per cent circulation—to actual users of your product.

The small size of package inserts and the quantity in which they usually are employed combine to effect an extremely low unit cost. Their insertion need not be a costly operation, either; it can, in most cases, be performed by automatic machinery which packages the product. Nor is a distribution cost involved; the package insert rides "for free" in the package with the product.

The functions which can be performed by the package insert are many and varied. Some of the most important of these can be classified as follows:

Correct use and care. Undoubtedly it is the primary function of any package insert to supplement the brief directions presented in the limited area available on a package. In package inserts for food products, directions for use usually are amplified by one or more recipes (which inspire greater use of the product, too). For other types of products, directions for use may include instructions for proper care of the product. In the case of mechanical appliances, the matter of servicing can be covered—free service period, subsequent service "at cost," refills, etc. Some manufacturers deem it advisable to have the package insert carry translations in other languages to cover foreign sales and sales to foreign-language domestic areas.

Quality. An ideal time to resell the purchaser on the merits of his choice is just as he is about to put it into use. There are various ways in which the package insert can do this—for instance, by: carrying "seals of approval" of recognized testing organizations; describing ingredients of product; notifying user of any change in formula, with reasons therefor; describing and illustrating methods of manufacture.

Economy is a feature dear to the hearts (and pocketbooks) of most consumers. If your product is economical to use, say so in your insert.

Endorsements. Inserts may be used to: feature testimonials; carry institute and association endorsements; encourage professional support; etc.

Promoting greater use. One way of increasing consumption of a product is to get new customers; another is to encourage present customers to use more of the product. In this connection, it is well to remember that when you win the favor of a child, you are cementing a valuable long-time friendship with a future buyer of your product. Thus direct approach to the child, in the form of a child's toy or game or some item appealing to a youngster's desire to collect and trade, often increases product use tremendously.

Featuring other products. The insert tells its story to a customer actively interested in your product—an ideal prospect, indeed, for another product in your line. Tell him about your other products. If you are in a position to give samples, offer to send samples to friends of your customer if that customer will furnish names.

Making offers. The insert is an excellent medium for making offers to customers. You might use it to: list and illustrate premiums to be had for saving coupons; announce combination offers; list items for sale related to use of product; include consumer order and re-order blanks.

Re-use features. When package inserts themselves are conceived and developed to become items that can be re-used in some way by the recipient—a blotter, a shopping list, a bookmark—their retention value is upped and their life lengthened materially.

Functional use. In many cases, particularly when glass containers are used, insert is so placed in the package that it helps protect against damage in transit. When used with some items of the clothing, such as hosiery, ties, shirts, the insert can help shape the product in package and enhance its initial appearance.

Public relations. Following are but a few of the human relations functions which package inserts can perform: They might: express appreciation of consumer's purchase; relate interesting or dramatic points in product or company development; outline services available from company's personal service department; feature manufacturer's sponsorship of radio program; solicit specific information from customers (questionnaire); ask for local dealer's name.

To insure the maximum effectiveness of your package insert, the following steps should be taken: (1) enclose insert so that it will be removed *with the product;* (2) use an eye-catching front page that will greet and interest the consumer the moment the package is opened; (3) use some element of change—for example, a series of different inserts, or a difference in design—to enhance consumer interest over a period of time.

Probably the smallest item in your merchandising program, the package insert — if carefully prepared — can prove effective far beyond its measure of size or cost.

By Merle D. Penney. *Modern Packaging,* September, 1947, p. 112:7.

Market Detectives

With both retailers and manufacturers showing fresh postwar interest in a "scientific approach" to public shopping habits, the private detectives of the nation's buying habits—the market researchers—are being rushed off their feet.

The research companies deploy armies of trained interviewers from coast to coast. They quiz hundreds of thousands of Americans, from bankers to housewives, to find out the things business executives want to know. And they get plump fees for their services. Clients, depending upon the job, plunk down $50 to $100,000. Most fees range between $500 and $20,000, with the average being around $7,000. The 200-plus companies in the business take in from $16 million to $20 million yearly. But about 20 firms get some 75 per cent of the trade.

Thus far in the postwar era the market researchers have brought forth some interesting data on changing shopping habits of the American consumer. They've found, for example, that neighborhood stores today account for 65 per cent of all sales of some appliances. (Before the war, these stores sold less than 10 per cent of any appliance line; downtown department stores hogged most of the business.) Another finding: Food supermarkets, a novelty before the war and even now numerically only 2½ per cent of the retail outlets, are doing 28 per cent of total food business and growing steadily.

—*The Wall Street Journal 9/24/47*

FINANCIAL MANAGEMENT...

The Problem of Capital Replacement

AMONG the special problems confronting business concerns at present as a result of the general rise in prices, one of the most important is that of making adequate provision for the replacement of depreciating capital assets. Obviously a company which follows the traditional accounting procedure of carrying such assets on its books at cost value, distributing depreciation charges based on that value over the estimated life of the assets, and regarding its net earnings, thus calculated, as available for distribution to owners, is likely to find itself without sufficient means to replace the assets at the end of their useful life, if in the meantime the replacement cost has risen substantially above the original cost.

At one extreme is the view that the money with which to replace a capital asset must come from the earnings of the asset, that the "under-depreciation" of fixed assets is currently resulting in billions of dollars of fictitious profits, and that any company allowing for depreciation only on the basis of original cost is inviting bankruptcy. At the other is the opinion that the purpose of depreciation is simply to recover the original cost of plant and equipment, that the replacement problem tends to solve itself through the general rise in earnings, which facilitates the accumulation of the additional capital funds required, and that the main necessity is to be able to obtain the funds for replacement, either from earnings, borrowing, or new capital flotations.

Opinions differ also as to the relative importance of the managerial and tax aspects of the question. Some observers stress the need for more liberal recognition of depreciation costs in the administration of corporation tax laws, while others question the desirability of such a change and maintain that the principal requirement is for sound managerial policy, regardless of revenue laws and regulations.

A study of the subject made last year by Lewis H. Kimmel, of The Brookings Institution, led to the conclusion that the divergence between historical cost and replacement cost does lead to the overstatement of net income but that the problem can be solved, at least in part, by the use of special replacement reserves. The allowance of tax-free credits to such reserves for from three to five years was recommended, such credits to be in addition to the regular depreciation allowances and to be limited to one-half of those allowances.

More recently the Machinery and Allied Products Institute has issued a report on the same subject, based on the premise that capital investment must be recovered in real purchasing power, not simply in dollars. Since "the dollar has lost at least one-third of its prewar purchasing power," the problem of under-depreciation of prewar assets is found to exist on a large scale. After "a relatively mild" inflation of 50 per cent, the merits of tax relief limited to depreciation alone are found to be "debatable." Under-depreciation, however, the Institute believes, "should be recognized for managerial

purposes whether recognized for tax purposes or not. In many cases management should incorporate increased depreciation rates into its regular cost and financial accounting. Where for some reason this is not feasible, it should allow for the overstatement of profits by an appropriate conservatism in dividend policy. Capital recoveries should not be disturbed merely because they are reported as net income."

The current practices of business concerns in dealing with the problem (or in not dealing with it) vary widely. Some companies have increased their depreciation charges in recognition of higher replacement costs. Outstanding among these is the U. S. Steel Corporation, which charged off an additional $12½ million during the first half of this year on the ground that the present-day cost of new facilities to replace worn-out or obsolete equipment is substantially higher than the original costs on which normal depreciation rates are based. Other concerns, instead of increasing their depreciation charges, have set up special reserves for the replacement of facilities. Still others rely on the general contingency reserves established during or since the war, believing these adequate to cover the rise in replacement costs. In some cases no special reserves have been set up, but financial and dividend policies have been revised to provide funds for the purchase of new equipment at the higher prices.

Tax policy is found to affect current practices in two principal ways. First, some concerns that might otherwise adjust their accounts hesitate to maintain two sets of books, one expressing managerial policy and the other based on tax regulations, which require that depreciation be calculated on the basis of original cost. Second, some companies have built up surplus less rapidly than they believe desirable on account of Section 102 of the federal tax law, which imposes a penalty tax on corporations accumulating surplus beyond the reasonable needs of the business, unless such corporations prove by the clear preponderance of the evidence that the accumulation is not designed to avoid surtaxes on shareholders. A larger number of companies, however, have felt no such restraint, partly because they believe they can justify their capital accumulations to the satisfaction of the revenue authorities.

Some firms are more concerned at the prospect of high depreciation costs on equipment acquired at present prices than at inadequate depreciation charges on older equipment. In the oil industry, for example, capital expenditures in the next two years are expected to be equal to almost one-fourth of the present total investment in facilities; and it is pointed out that refinery facilities now cost from two and one-half to three times as much per barrel of capacity as before the war. The same apprehension is evident in other industries. Believing that current construction costs are excessive, E. I. du Pont de Nemours & Company has adopted the policy of anticipating accelerated depreciation in the early years of operation of newly constructed plants by setting aside out of income a reserve for excessive construction costs in the year incurred.

The problem of high replacement costs deserves wider attention, both from business management and tax authorities, than it appears to have received. Whether provision for meeting the costs is labeled depreciation or is called by some other name, sufficient funds to meet present and estimated future replacements at existing prices

should be systematically withheld from distribution to owners and retained for such reinvestment, except in the probably few instances where the incurring of new capital obligations is deemed preferable as a matter of financial policy. And a major objective of tax administration should be to encourage rather than restrain the setting aside of adequate funds for that purpose.

The Guaranty Survey, September 24, 1947, p. 1:4.

Barriers to a Depression

WHEN commodity prices reversed their rising trend for a time last spring, and it had not yet become apparent that this reversal was temporary, an early recession was freely predicted by many economists. These predictions stemmed from a number of unhealthy conditions, including widespread economic distress abroad, unprecedented expansion of business inventories accompanied by rapid increase in commercial loans, growing use of consumer credit, and, most important, the fact that commodity prices were at abnormally high levels and were thus decidedly vulnerable. During the summer, other unfavorable signs appeared, such as the slowing down in the rate of gain in retail sales and the steady growth in liabilities of commercial failures from $13 million in February to $37 million in August, against less than $5 million a year ago.

Despite the adverse implications of these conditions, however, no depression is yet visible. Other forces, stronger than the foregoing elements, have prevented it. These forces can, in the main, be traced to the effects of inflation on prices and—through prices—on production, business profits, employment, and purchasing power. These inflationary trends are still operative; and though they will undoubtedly be reversed some day, there are no indications of a reversal in sight. Thus we may assume a recession will not appear for the next few months, at least, and perhaps not for a much longer period than that.

Many factors have contributed to the inflation which has occurred so far. One which seldom makes the headlines is the vast increase in our money supply due to the government's deficit financing activities. Money in circulation now equals $28.7 billion, a sum four times the record level reached prewar. Obviously, there has been no comparable increase in available goods and services; hence, a rise in prices has been inevitable.

Another factor is the long and extreme decline in interest rates. This has tended to promote borrowing by making it less expensive, and has accordingly stimulated into being many business projects which would not have been attempted had it been necessary to finance them on less favorable terms.

A third leading factor has been the tremendous foreign demand for our goods. In the first eight months of 1947, our exports exceeded those for any full year in history except the lend-lease years 1943-44 and were at a rate which, on an annual basis, would exceed those years also. These large foreign shipments have not only been a strong factor sustaining volume of production, but have been directly inflationary in another respect. Since

only a small portion of our merchandise exports has been balanced by merchandise imports, the large export balance has generated substantial purchasing power in the form of wages, dividends and retained profits without creating any goods available for consumption in this country to absorb this purchasing power.

Another factor boosting prices has been the rise in costs due to higher wages, lower labor productivity, and higher material prices. This factor will be one of the first to cease operating at the onset of a depression, since in a period of falling output prices invariably recede faster than costs. The effects of production lost in 1946 because of strikes, manpower shortages, and the OPA are still being felt and are, of course, inflationary in their price implications.

Two other barriers to a 1947 depression deserve mention, neither of which can be classed as inflationary. One is the provision inserted in the tax laws permitting tax carry-back credits to be taken last year and, to a much more limited extent, this year as well. Business expenditures for expansion would have been far below present record levels had this cushion not been available. The other barrier is the large unfilled war-deferred demand for many items, combined production of which represents a very important segment of industry. Even capacity production cannot satisfy these needs for some time to come, and so long as they remain unsatisfied a full-scale depression will be impossible and any recession will be of moderate proportions.

A temporary fillip was given to purchasing power when veterans were permitted to cash their terminal leave bonds, and another may be provided when consumer credit controls expire.

From a longer-term standpoint, most of the factors which have prevented a recession thus far will continue to do so. Though the government has permitted short-term money rates to rise somewhat higher than had been anticipated, interest rates are still very low and will undoubtedly remain so for many years. Exports have declined from the record level reached in May, but they will continue at unusually high levels, sustained by stop-gap aid to Europe and eventually by the Marshall Plan. Government farm price support measures are not now scheduled to expire until the end of next year, and could be extended beyond that date if necessary. These factors are capable of postponing any recession until the appearance of much more serious economic troubles than those now existing.

Financial World, October 29, 1947, p. 3:4.

AMA FINANCIAL MANAGEMENT CONFERENCE

The Financial Management Conference of the American Management Association will be held on Thursday and Friday, January 15 and 16, 1948, at the Hotel Biltmore, New York.

INSURANCE...

Progress in Industrial Accident Prevention

By FRANK LANG
Manager, Research Department
Association of Casualty and Surety Companies

BACK in the days when Mississippi River steamboats were blowing up with appalling frequency, one insurance company—intent on seeking methods of accident prevention rather than on merely settling claims *after* disaster—began inspecting boilers. In other industrial fields, safety and inspection services by insurance companies were subsequently inaugurated. Accident prevention work by these companies not only has reduced the number of accidents and thus the compensation cost to industry, but also has increased production efficiency in many cases.

In one instance, for example, following installation of a drop-hammer guard in a drop-forge plant, production on that particular machine was doubled. In another, presses in a can manufacturing plant were guarded, and production increased by 50 per cent.

Insurance safety work has largely become organized and focalized into three main spearheads of activity: (1) inspection, surveys, and consultation services provided directly to the assureds; (2) research and laboratory work in accident hazards, occupational disease exposures, and work procedures, to develop safer work environment and safer conduct of the individual in that environment; (3) close cooperation with private and governmental agencies concerned with this problem; and (4) the establishment of specialized units—such as the National Safety Council and the National Conservation Bureau of the Association of Casualty and Surety Companies—to dispense accident prevention information to the public and to insurance companies, and the setting up of educational units to conduct specialized research.

The consulting services of insurance companies are centered around periodic safety inspections of insured plants, conducted by trained insurance engineers. These inspections are scientifically planned, each trip being based on thorough knowledge of the conditions in the plant at the time of the last inspection, reports of accidents that occurred after that inspection, and requests from the plant, or from the agent or broker, for information or other services.

The use of safety demonstrations and models of safety equipment is an effective method by which the insurance company influences the accident prevention efforts of employers and their workers. The poster, the check list, the pamphlet, the periodical—all play their part in insurance company safety efforts.

Problems of health and safety are selected and thrashed out in insurance company research laboratories. Some-

Excerpted from *Workmen's Compensation Insurance—Monopoly or Free Competition?* Richard D. Irwin, Inc., Chicago, 1947.

times a laboratory worker may find it necessary to study an insured employer's problem on his plant premises. This work may take months, or even years, and frequently involves large expenditures. The results of such research are given freely to industry.

To the work of the insurance engineer is due credit for many of the guards that have effectively cut industrial accidents. The narrow-necked hopper in the grocery-store food-grinder, for example, was designed by an insurance company's safety engineer to prevent the worker's hands from coming in contact with the cutting knives.

One of the 10 most hazardous machines used in industry is the platen printing press, or "job press." The annual cost to the printing industry of accidents on hand-fed job presses was estimated at more than $1,000,000—not to speak of the cost to individuals in mutilated hands. After two years of intensive research, an insurance company developed a device which—without affecting the efficiency of operation of the press or interfering with the operator's work—has made point-of-operation injury in the use of these presses impossible.

The following case story will give a realistic idea of the safety work being carried on in industry by the insurance company:

Plant A is a manufacturer of surgical supplies. The insurance company that assumed this manufacturer's risk delegated one of its safety engineers to make a study of the accidents that had occurred in the plant during the preceding year. This study revealed that:

1. Over 25 per cent of the accidents in the plant were due to "poor housekeeping or congestion in work spaces."

2. Over 14 per cent of the injuries in the plant were caused by broken glass that resulted from excessive pressure in grinding the glass tubes used in making hypodermic needles; over 12 per cent, by failure to wear goggles; over 8 per cent, by incorrect lifting habits; only 3 per cent of the injuries —but a fairly large percentage of accidents—occurred because of lack of point-of-operation guards on kick presses.

3. Losses were increased by infections due to lack of first-aid facilities.

The next step was a thorough plant inspection by the insurance company's safety engineer, who conferred extensively with the plant management. As a result, the following corrective action was taken:

1. An additional building was rented to provide more floor space and to relieve congestion. A "housekeeping committee" was appointed, and an interdepartmental "housekeeping contest" inaugurated.

2. A "glass-grinding school" was started, to which new employees were sent before being assigned to production operations, so that they might learn the proper "touch" or pressure and how to recognize readily defects in the glass tubes. This school paid dividends in several ways: losses from glass breakage were reduced; management was enabled to weed out prospective glass-grinders who did not possess the natural qualifications for such work; production was increased.

3. Goggles were procured, and an educational program instituted to induce employees to wear them.

4. A special campaign was inaugurated to teach employees the safe way to lift objects. This was accomplished through safety pictures, demonstra-

tions, safety posters, and a careful supervisory follow-through.

5. Point-of-operation guards were provided for kick presses.

6. A complete first-aid room with trained nurses in attendance was provided, and employees were encouraged to receive prompt treatment for all injuries.

The insurance engineers did many other things for this manufacturer. For example, "Orsat Tests" were made in the glass bending department, where employees complained of headaches. It was found that there was excessive concentration of carbon monoxide from Bunsen burners in this department, and the condition was corrected by improving the ventilating system.

The chief contributions of the safety engineers, however, were: (1) the promotion of enthusiasm for safety, and (2) the direction of the insured's efforts in the channels which yield the greatest return on their investment in safety.

Safety work on a large scale is costly. In a recent study, the expenditures of insurance carriers doing business in New York over the 17-year period, 1923-39, were estimated at approximately $83,000,000. During 1943, insurance carriers throughout the country spent a total of close to $20,000,000 for industrial accident prevention work.

The results of insurance company research have been applied nationally, without hindrance due to state boundaries. As a result of insurance company and other safety efforts, the worker of today has a better than 2½ to 1 chance over his 1913 predecessor of never being exposed to an industrial situation that may take his life. In addition, the industrial accident severity rate has continuously declined. From 1931, when total severity figures were first available, to 1943, the severity rate dropped from 1.72 to 1.20.

Servicing Impaired Risks

ONE of the most laudable services of insurance is that rendered by the life companies in supplying coverage to impaired risks. A recent Institute of Life Insurance report states that 4,000,000 persons, who do not measure up to standard requirements, have been granted protection, as "extra raters," totaling $8,000,000,000—a sum which makes evident the service being rendered the substandards. The extent to which life companies are now meeting this social need is indicated by reports on purchases of new life insurance last year, when more than $1,800,000,000 worth was under extra-premium plans. These cover the lives of persons with certain physical impairments and those engaged in occupations which involve special hazards. These "extra-rate" policies represented about 8 per cent of the total new life insurance purchased during the year.

—*The Weekly Underwriter* 8/9/47

• INSURANCE COMPANIES made an impressive record in payments to policyholders during 1946. The stock fire insurance companies of the country paid $731,000,000 to policyholders. The stock casualty and surety underwriters paid $697,000,000. At the same time, the life insurance companies of the country paid to policyholders, in round numbers, a tidy $2,848,000,000.

—*The Spectator* 10/9/47

Survey of Books for Executives

OR FORFEIT FREEDOM. By Robert Wood Johnson, Doubleday & Company, New York, 1947. 271 pages. $2.50.

*Reviewed by H. F. Willkie**

Here is a book adding measurably to the list of contributions by top-ranking management to the expression of an industrial philosophy with which much of today's social thinking is preoccupied.

A word on the structure of the book is in order, because no matter how excellent or remarkable the context may be, if it is not readable—and agreeably so—it will not be read.

This book has been written with readability well in mind. Its organization is logical, perhaps conventional, yet it moves from premise to conclusion in a series of 18 brief, smooth-paced chapters characterized by simple and graceful transitions. The vocabulary is natural and colorful. Throughout, the reader will feel both grateful and complimented, especially since the subject matter concerns itself with problems of utmost complexity in labor-management relations.

Indeed, the quality of writing makes the argument deceptively simple. The layman, not familiar with industrial relations, will take too much for granted. To the author's plea for better personnel management, better educational methods, more responsible management and union leadership, the layman-reader will say, "Well, why not! How logical! How apparent!"

Industrial men, on the other hand, will acquire moist palms, heart palpitations, and spots before their eyes when they think of applying Johnson's techniques to established enterprises. No doubt the author is aware of this; he has no illusions about offering pat answers to industry. His recommendations are bold ones requiring the utmost perseverance and responsibility for application. This reviewer personally is in agreement with him all the way, having had considerable experience and some success in pursuing industrial policies similar to those advocated.

Another commendable aspect of *Or Forfeit Freedom* is the absence of contentious diatribes against government and labor. So many industrial effusions coming from the presses today are published because the proffered system has failed under "abnormal" conditions and thus its author feels constrained to explain publicly, to denounce the environment that has encroached on his industrial paradise, and to tilt with economic windmills. Usually the scapegoats are: the depression, the New Deal, the war, the tax system, inflation, and federal controls. Of course, these all are difficult factors to assess and overcome, but one must recognize them as symptomatic of larger issues. Robert Wood Johnson does so, and with the exception of a rather overly-aggressive attack on Soviet Communism in the last chapter, he maintains a thoroughly level-headed attitude from start to finish.

The book deserves wide and thoughtful reading. Further than this it will prove an excellent point of reference and an inspirational springboard for business forums. In such ways, the specific application and methodology of General Johnson's principles of industrial management at the local or particular level may be thrashed out. Not that this implies the author works at an ideal or impractical level—anyone familiar with the high standards of working conditions in the Johnson & Johnson factories will discount such an idea.

This reviewer was particularly gratified by the treatment of corporate public relations at the local level under the caption "Home Town Front" (Chapter XVI). Too many corporation officials address themselves to an undefined nationwide audience, spending hugely for a misconceived public relations program which actually reaches no effective level of consciousness. After all, as the author implies, a man or a corporation is known for what his neighbors hear and say about him rather than for what he says about himself. This leads naturally into the succeeding chapter on industrial decentralization, advocated not as a precaution against military attack from without but against the inefficiency of industrial bureaucracy within.

As to physical make-up, the publisher has produced a commendable piece of work. Cover stock, and size of page and print are attractive and enhance readability. Bernice Jamieson's line drawings at the chapter heads are original and provoking—a kind of *hors d'oeuvres* to each course of Johnson's rare meat.

* Vice President and Director, Joseph E. Seagram & Sons, Inc.

UNION-MANAGEMENT CO-OPERATION: *Experience in the Clothing Industry.* By Kurt Braun. The Brookings Institution, Washington, D. C., 1947. 259 pages. $3.00.

*Reviewed by Herbert G. Heneman, Jr.**

This book is a compact, scholarly, and interesting analysis of union-management cooperation in an industry where such cooperation is more commonplace and robust than it is in most other industries. The volume is both timely and important for those who seek to keep abreast of current trends in the highly dynamic field of industrial relations. At the same time, however, it serves to reemphasize the need for, and importance of, critical evaluation of industrial relations policies and practices in objective, measurable terms.

The study is divided into four parts: (1) terms of reference, (2) rise and growth of union-management cooperation in the clothing industry, (3) areas of cooperation in the clothing industry, and (4) an appraisal of the clothing industry under union-management cooperation. Attention is devoted primarily to the activities of the Amalgamated Clothing Workers of America and the International Ladies' Garment Workers' Union, both affiliated with the American Federation of Labor.

Braun defines union-management cooperation as "collaboration of management and unions on subjects extending beyond elementary matters of employer-employee relations" and contends that it should be differentiated from collective bargaining. He develops the thesis that collective bargaining is "nothing but a technique" whereas union-management cooperation is "an economic and social concept," and holds that the *spirit* of cooperation is vital. Acceptance of this concept requires both employers and unions to break away from traditional policy: employers must reshape their views on the sanctity of management prerogatives," and unions must replace belligerent attitudes with a more constructive view of the problems faced by the specific enterprise and industry.

Braun then describes the characteristics of the clothing industry—substantial variations in consumer demand, the important role of labor costs, small number of employees per establishment, limited machinery and equipment requirements, cutthroat competition among employers, and the like. He traces the growth of joint action within this setting and attributes its present development in large measure to the basically unstable character of the industry and its products.

The areas of cooperation analyzed by the author include wages, restriction of competition ("stabilization"), conditions of employment, stabilization of production, improvement of machinery and marketing techniques, improvement of worker efficiency, and financial aid to management. Then follows a discussion of union welfare programs wherein employers' contributions range from 2½ to 7½ per cent of their production payrolls.

Part IV of the book is an attempt to appraise the results and effects of cooperation in objective terms by comparison and analysis of data relating to employment, wages, profits, and prices.

The author's conclusions with respect to the worth of union-management cooperation are presented in a summary chapter. "Management as well as labor, indeed, has derived important tangible and intangible benefits from it." (p. 248) Gains for labor include greater participation in determining conditions of employment (a psychic benefit), "earnings and job security have improved," and "industrial peace has enabled clothing unions to spend more time and effort on educational, welfare and similar programs." Manufacturers, while losing some "prerogatives," have "gained a considerable amount of good will on the part of unions and workers," and have obtained concessions from union leaders that might not have been made otherwise. "The public doubtless has benefited from the remarkable decline in industrial disputes and warfare," though "it is not possible to trace the manner and extent to which union-management cooperation has influenced selling prices." (pp. 250-251)

The general favorable character of the author's appraisal in the summary chapter is disturbing to this reviewer in view of the statistical data presented in previous chapters. In all fairness to the author, he frequently points out the limited nature of the objective data with which he has to work. But to the reviewer even these inadequate data would probably tip the scales against the contention that, on balance, joint action has had favorable results. It would be more nearly accurate to say that the results are inconclusive and confusing and that the case for union-management cooperation in the clothing industry has yet to be proved.

Space will permit only limited citation from the figures presented in support of the reviewer's contention, and it is admitted that testing whether or not joint action has made for progress depends in part upon the individual's concepts of how "progress" should be measured. Some factors that might have

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received more stress in the final appraisal are the following: (1) The estimated average number of wage earners increased from 1923 to 1944, but in the latter year had declined from a 1941 peak to approximately 1935 levels—p. 206. (2) The average annual wage per worker declined substantially from 1923 to 1939—p. 211. (3) There has been an increase in average weekly earnings (p. 212) so that apparently workers have a lesser average number of weeks of employment. To the reviewer, these data make it difficult to agree that "earnings and job security have improved" (p. 248). (4) The few data presented fail to show that union-management cooperation has made for increased profits (cf. pp. 216-219), and (5) though consumers' clothing prices declined in depression years, no conclusive evidence is offered that this was due to the joint program (cf. pp. 224-225). (6) Data regarding industrial disputes between 1927 and the outbreak of World War II do not present clear-cut evidence that joint action has been a superior instrument for industrial peace.

In conclusion, Braun's work is a valuable case study. It is handicapped by an admitted paucity of data, and although the author's general evaluation of the role of cooperation in the clothing industry seems favorable, this reviewer regards the objective evidence as inconclusive on balance with respect to the advantages gained from union-management cooperation in the industry.

PERSONNEL MANAGEMENT. By Michael J. Jucius. Richard D. Irwin, Inc., Chicago, 1947. 696 pages. $5.00.

*Reviewed by Samuel L. H. Burk**

While there are many textbooks available on the subject of personnel management, in most cases their content is largely directed toward detailing methods and procedures with little emphasis on the fundamental principles involved. This volume by Dr. Jucius ably confirms the statement in the preface that its basic aim is to supply collegiate students with a realistic study of personnel principles and practices.

The contents cover the entire field of what is generally known as industrial relations or personnel administration, but also include such comparatively new topics as "General Education and Communication," "Special Personnel Problems" (which became particularly difficult during and following the war), plus an excellent chapter on "Personnel Research, Personnel Audits and Controls."

Generally speaking, each chapter includes down-to-earth discussion of fundamental principles as well as brief examples of the manner in which the principles may be applied. This is the kind of text that can be used advantageously not only in preliminary courses for students specializing in industrial relations but also in briefer courses designed to imbue engineering and business administration students with the importance of sound human relations in industry as well as with a knowledge of personnel procedures.

Any attempt to align the contents of such a text in some logical order is extremely difficult, but the author has coped with the problem well. Though there is an appreciable amount of overlapping by references to earlier or subsequent chapters for specific information, this could hardly be avoided.

Several points brought out by the author deserve particular mention. In describing the personnel executive, he indicates that the highly commendable trait of "liking to work with people" should not be the deciding factor in the selection of a personnel man. His chapter on "Organization Structure for Personnel Management" outlines in simple terms the principles of organization involved and the advantages and disadvantages of what might be called the various "pure" types of organization structure. Dr. Jucius' summary of the tests of good organization structure for personnel management should be used by everyone engaged in the profession to check the structure of his own department and its relations with the operating line.

Considerable stress is placed on the determination and specification of job content and labor requirements. This section is also worthy of study by practicing industrial relations executives.

The book also covers the usual items of selection, interviewing, counseling, tests, transfers and promotion, training plans, working conditions, health and safety, principles of remuneration, remuneration policies, job evaluation and merit rating, job and wage stabilization, and the time factor.

Chapters on "Handling Grievances," "Disciplinary Action," "Collective Bargaining," and "Dealing with Unions" provide sufficient coverage of the labor relations aspects of personnel administration.

In addition, a chapter dealing with the "Positive Motivation of Employees" is highly enlightening and deserves study by college men and practicing personnel men alike.

Well written in language that avoids the technical jargon of personnel administration, this book can be read easily and studied with

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facility. Actually, it is more than a text; it is a reference manual that will enhance the library of any industrial relations or personnel department.

RECORDS MANAGEMENT AND FILING OPERATIONS. By Margaret K. Odell and Earl P. Strong. McGraw-Hill Book Company, Inc., New York, 1947. 342 pages. $4.00.

*Reviewed by Irvin A. Herrmann**

Dedicated to those record clerks who file but cannot find, this book is truly a postgraduate text on filing and indexing.

It aims to impress on management the need for a records department with sufficient authority and control to make the functions of filing and recordkeeping distinct in the organizational structure. To this end the authors advance many helpful suggestions for the establishment and organization of a records management department. The book is also designed to assist records-department employees to improve their daily job performance.

Evidently this volume has been intended as a guide to records-department operations performed in both business and governmental organizations and as a reference manual for use in offices, schools, and colleges. Due recognition is given the evolution of the records department from a mere service unit to its new position as a separate department in the organizational structure, under the management of a responsible records administrator.

The contents are divided into three basic sections.

Part I stresses the administration and control of records, shows the need for proper indexing and filing, and sets forth the requisites for good records administration. It also outlines fundamental problems and faulty practices in indexing and filing. The advantages and disadvantages of both centralized and decentralized files are clearly explained. The authors' recommendation of centralized control over centralized and decentralized files should help solve the filing problem of many organizations. The chapter, "Location and Layout of the Records Department," shows how the number and location of the records rooms are based on the movement of work through the organization as depicted by work-flow charts. There are many illustrations of layout, filing equipment, supplies, and the arrangement of basic filing methods.

Part II explores the details involved in records management—e.g., handling and dispatching incoming and outgoing mail, preparing records for filing, filing the records, and finding the records. The need for standard rules for indexing and arranging is stressed, and many examples are employed to discredit the old theory that filing is so simple it does not require instructions. Two interesting graphs are used in this section—The Most Common Surnames in Particular Localities, and Percentage of Surnames to Letters of the Alphabet.

Part III, "Records Department Management," deals with the transfer, retention, and disposal of records. The Statutes of Limitations by States (page 269) is a table every organization should have for guidance. A chapter covering reports, statistics, and standards emphasizes the value of determining the volume of work produced from daily quantity reports and monthly recaps. The statistics cited on various standards for filing operations and costs will prove helpful in establishing a company's individual standards.

The chapter, "Manual of Filing Operations," provides a detailed outline of what a filing manual should contain. It indicates the possibilities of increased efficiency by the use of formal standards for each filing function. The final chapter deals with personnel and the training of file clerks and lists the advantages and disadvantages of records work.

The thoroughness of this text should promote better understanding by management of the problems of filing. It is hoped that many executives will read it, for much will be gained through application of the many practical ideas presented.

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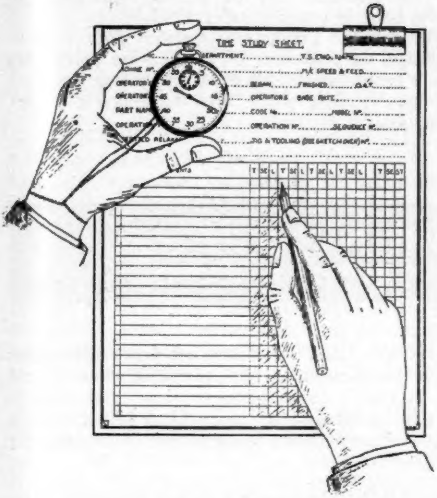
A MANUAL OF TIME AND MOTION STUDY. By John W. Hendry. Sir Isaac Pitman & Sons, Ltd., London, England, 1946. 215 pages. 12/6.

Reviewed by Allan H. Mogensen

First of all, let me say that I have nothing against England or the British. Some of my best friends are English, and I hope that Great Britain wins her battle for increased productivity. This book will not help her to do it, and I advise anyone in America who expects to increase his knowledge of time and motion study thereby to save his 12 shillings and sixpence. If he merely feels big-hearted and wants to donate that much to meet England's need for American dollars, I suggest that a pint of any reputable brand of Scotch whiskey will do both him and England just as much good.

Consider the author's section on "the time-

study observer's working tools." Take a good look at the illustration below. It is captioned: "It will be observed that this sketch shows only one copy of the Time Study Sheet. Naturally, the continuation sheets are clipped behind this top sheet so that the 'turning over' process can be easily performed."



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Mr. Hendry says: "The provision of this safety-thong will prevent unfortunate accidents happening, and in a busy factory, particularly, there is the ever-present risk of somebody brushing by and so causing the watch to slip." Can you imagine any time-study observer trying to take a study in a busy factory doing the balancing act depicted in the illustration, to say nothing of performing the "turning over" process "easily"? I made my first time study at the Gleason Works in Rochester in 1925, and at that time we not only had a device for holding the watch firmly in place at the upper right-hand corner of the board (in direct line of sight) but were experimenting with a dual holder for two watches. I suggest to the author that he look into American standard practices on this score to help his readers. I'm afraid that the rest of his struggle (and it does seem like a struggle) to describe time study is on a par with this sample.

Now we come to motion study. In describing the equipment required, Mr. Hendry says: "There is usually a wide range of apertures and lenses, but nothing more than f.59 or less than f.8 will be likely to be needed." Projector: "It is best to have a separate projector, otherwise the camera will be too heavy to handle comfortably—thus reducing mobility."

It is my business to know as much as possible about motion-picture equipment for use in this field, but this is the first time I have heard of an f.59 lens, or a combined camera and projector. We find an f.1.5 lens as fast as can be used; most of us employ f.1.9. If our English friends have developed the monstrosity the author describes, I agree with his suggestion that one secure a separate projector.

In discussing "Elimination of Waste," the author lists in detail various causes of waste, mainly in metalworking operations, but makes no mention whatsoever of the flow-process chart, one of the most valuable tools of analysis. His approach seems to be that of trouble-shooting only, rather than of helping the reader develop any real managerial ability.

When I first took up this book, I read the forward by B. Seebohm Rowntree. He says: "His chapters dealing with the human side of the problem of time and motion study are excellent, and should be widely read." I fail to discover any chapter in the book dealing with the human side of the problem—what I believe to be far more important than the "technique of its science." However, I note that Mr. Rowntree, who has been one of England's foremost leaders in the management movement, penned the foreword in 1944. Since Mr. Hendry's book was published in 1946, perhaps Mr. Rowntree wrote the foreword for another work. He says too: "The book should find a place on the shelves of all industrial managers, but it should not rest upon these shelves: it should be taken down frequently for careful study."

To help his fellow industrial executives, I suggest that they leave this book on the shelf and obtain a copy of Dwight Merrik's historic book on time study. It was published in 1919 but is still a decade ahead of this one.

QUALITY THROUGH STATISTICS. By A. S. Wharton. The Gryphon Press, Highland Park, N. J. 57 pages plus appendix. $1.50.

*Reviewed by J. M. Juran**

Now in its second edition, this wartime booklet compresses into a limited space much

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practical know-how of statistical quality control.

The book is too small to constitute a well-organized body of knowledge. Instead there is a selective treatment of a few phases of the subject: acceptance inspection, sampling tables, control charts, and some others. The fact that the treatment of these topics is highly realistic and practical indicates that their selection was dictated by the personal experience of the author.

In the judgment of this reviewer, Mr. Wharton has wisely emphasized the problems of *application* of the statistical techniques. He has thus avoided the common error of most American writers, who dwell on the mathematics behind the techniques.

In some respects, the solutions developed by Mr. Wharton are new to the literature of quality control. In particular, the payment of a quality bonus to operators who maintain a process "in control" is of special interest.

Despite the use of British terminology, the book is readily understandable by factory personnel. The case approach and the emphasis on problems of application make this a worthwhile addition to the meager list of books dealing with "how to make it work" in quality control.

BRIEFER BOOK NOTES

[Please order books directly from publishers]

MANUAL OF PRACTICAL OFFICE SHORT CUTS. Compiled from ideas sent in by members of the National Office Management Association. McGraw-Hill Book Company, Inc., New York, 1947. 272 pages. $3.50. A handy compilation of time- and energy-saving ideas. Clear and concise descriptions are accompanied by more than 100 drawings and photographs of records, forms, equipment, and miscellaneous gadgets for increasing the effectiveness of departmental operations and executive control.

RECORDS FOR THE CONTROL OF GROWING MANUFACTURING ENTERPRISES. By Paul F. Lawler. Division of Research, Graduate School of Business Administration, Harvard University, Boston 63, Mass., 1947. 131 pages. $1.00. Report on a study of record-keeping and record-using practices of small manufacturers to determine what records are kept, why, and how well they serve management. Part I is devoted to a discussion of the number of records required by a manufacturer, the cost of record-keeping, the effect of company growth upon records, and other similar aspects of records control. Part II concentrates on company practices in regard to specific records used in various phases of activity, such as sales, production control, and purchasing.

MODERN PENSION PLANS: *Principles and Practices.* By Hugh O'Neill. Prentice-Hall, Inc., New York, 1947. 382 pages. $5.00. Explains in non-technical language the various methods of operating pension plans and the basic provisions of such plans. This study should be useful to the employer in establishing a new pension plan as well as in evaluating any plan he may currently have in operation, and it will also enable those who are covered in such programs to appraise their prospective or present pension benefits.

THE ORGANIZATION OF THE CONTROLLER'S OFFICE. *Bulletin Four.* Controllers Institute of America, New York, 1947. 42 pages. $1.50. Based on a survey of 30 large companies, this study reports on the size of controllers' offices, duties and organization of the controller's office, and the authority of the controller. Each of the replies to the survey questionnaire is reproduced in full, together with a chart detailing the organization of the controller's office.

COST ACCOUNTING. By Charles F. Schlatter. John Wiley & Sons, Inc., New York, 1947. 699 pages. $6.00. Based on two earlier works by Mr. Schlatter, this volume presents the general principles and basic philosophy of cost accounting. Contains new material on purchase discounts, pricing of materials for consumption, social security taxes, premium wages, payrolls, burden accounting, calendar variations, cost reports, basic standards, and current standard costs. Each new presentation in this comprehensive text is followed by exercise problems for the student.

HOW TO RUN A MEETING. By Edward J. Hegarty. Whittlesey House, New York, 1947. 222 pages. $2.50. Presents concrete suggestions on how to obtain better results in running any type of meeting—club, association, or committee. Mr. Hegarty has drawn on 30 years' experience in conducting meetings to show how to plan and promote meetings, how to obtain speakers, arrange meeting rooms, organize your presentations, hold your audience, etc.

EFFECTIVE PERSONALITY BUILDING. By Gwenyth R. Vaughn and Charles B. Roth. McGraw-Hill Book Company, Inc., New York, 1947. 290 pages. $2.50. Attacks the problem of improving and rebuilding personality from a twofold approach: first, building personality from without by paying attention to dress, grooming, and manners; second, building it from within by improving the mental side of personality, learning how to live with oneself and how to control others.

ESSENTIALS OF MANAGEMENT FOR SUPERVISORS. By Charley H. Broaded. Harper & Brothers, New York, 1947. 239 pages. $3.00. This book is designed to supply the minimum information about general management, its organization and function, which should be understood by supervisory staffs. Four different phases of the supervisory job are considered—management of work, provision of personal leadership, maintenance of productive processes, and training of subordinates.

TRENDS IN OUTPUT AND EMPLOYMENT. By George J. Stigler. National Bureau of Economic Research, 1819 Broadway, New York 23, N. Y., 1947. 67 pages. $1.00. Analyzes output, employment, and output per worker from 1899 to 1939 in manufacturing, agriculture, mining, gas and electric utilities, and steam railroads. In these groups of industries physical output almost tripled during the 40-year period.

MANAGEMENT IN MARKETING. Edited by Samuel B. Stocking, Jr. University of Toronto Press, Toronto, Canada, 1947. 118 pages. $2.50. A group of eight lectures and one special paper on various facets of marketing management. Subjects include marketing research, sales forecasting and budgeting, consumer opinion surveys, distribution cost control, sales performance standards, and control of retail operations. Among the contributors are Theodore H. Brown, Richard D. Crisp, R. Parker Eastwood, Donald R. Longman, Malcolm P. McNair, Ira G. Needles, Philip Salisbury, Howard A. Trumbull.

INDUSTRIAL JOB PLACEMENT OF PERSONS WITH INACTIVE TUBERCULOSIS: *A Guide for Employment Managers and Personnel Directors.* National Tuberculosis Association, 1790 Broadway, New York 19, N. Y., 1947. 12 pages. 10 cents. This brief report advocates an enlightened employment policy toward the employee with inactive tuberculosis; and it outlines the principles governing employment and placement procedures for recovered tuberculous patients.

COLLECTIVE BARGAINING WITH ASSOCIATIONS AND GROUPS OF EMPLOYERS. *Bulletin No. 897,* U. S. Department of Labor, Washington, 1947. 14 pages. 10 cents. Available from the Superintendent of Documents, Washington 25, D. C. Bringing up to date a study prepared by the BLS in 1939, this report provides the most recent picture of the extent to which unions negotiate agreements with associations and groups of employers, and the areas of bargaining—i.e., industry-wide, regional, or within a city, county, or metropolitan area.

PREPARING TO NEGOTIATE. *Management Memo No. 2,* Industrial Relations Department, National Association of Manufacturers, New York, 1947. 17 pages. This discussion of some of the considerations requiring management attention prior to collective bargaining negotiations covers, among other points, the development of company policies, appraisal of prior experience, collection of basic data, selection of the negotiator, and the formulation of company proposals.

THE PORTAL-TO-PORTAL ACT OF 1947: *What It Does; How It Applies; What It Means.* The Bureau of National Affairs, Inc., Washington 7, D. C., 1947. 252 pages. $5.00. Dissects and analyzes the portal-to-portal law—tells what it means to more than 557,000 establishments covered by wage-hour standards, how it affects the nation's wage-earners, what it did to portal pay claims which piled up since November, 1946.

PERSONNEL MANAGEMENT PRACTICES. By Six Industrial Executives. The Institute of Industrial Management, 136-138 Queen Street, Melbourne, Australia, 1946. 84 pages. Six lectures by representatives of some of Australia's leading industries cover various aspects of personnel management as practiced in Australia. Topics include employee training, employee services and working conditions, wage incentives, employee-management committees, and safety in industry.

MANAGEMENT RIGHTS IN LABOR RELATIONS. By Stephen F. Dunn. Woodbeck Publishing Company, Grand Rapids, Mich., 1946. 304 pages. $5.00. Mr. Dunn (a former industry member of the War Labor Board) points out that many employers relinquish fundamental rights in collective bargaining because they do not realize what those rights are. Citing numerous legal precedents and decisions, the author discusses various rights which management may exercise. Topics covered: Employers' Rights to Refuse Recognition; Employers' Rights to Free Speech; Determination of Representatives and Elections; Employers' Rights in Collective Bargaining; The Union Contract; Employers' Rights to Enforce Union Contracts; Rights of Employers During Strikes; Employers' Rights in Complaint Cases; Other Rights of Employers. Unfortunately this study was compiled prior to passage of the Taft-Hartley Act.

GUIDE TO NATIONAL LABOR RELATIONS ACT. By B. Fain Tucker. Commerce Clearing House, Inc., Chicago, 1947. 320 pages. $3.00. Traces the development of collective bargaining as it functioned under the Wagner Act and discusses the salient principles that emerged from the decisions of the Board and the Courts during the 11 years since its passage.

THE STORY OF THE ENGINEERS. By James B. Jefferys. Lawrence & Wishart, 81 Chancery Lane, London, W. C. 2. 290 pages. 10*s.* 6*d.* Covering a period of nearly 150 years of trade union organization in Great Britain, this detailed and informative history tells the story of the struggles of the Amalgamated Engineering Union, a large organization of workers in the machine-making industries.

UNION POLICIES IN THE LEATHER INDUSTRY. By Leo Cyril Brown, S. J. Harvard University Press, Cambridge, Mass., 1947. 246 pages, $3.50. This comprehensive account of collective bargaining in the leather industry not only describes the policies which the unions have pursued but analyzes the effects of those policies in the light of the industry's underlying economic trends.

MANUAL OF INDUSTRIAL EFFICIENCY RATING. By H. C. Steinmetz. Department of Psychology, San Diego State College, San Diego, Calif., 1943. 47 pages. Features a discussion of the use of the Hardwood Industrial Efficiency Rating Scale.

TESTING AS APPLIED TO OFFICE WORKERS. *Personnel and Training Series, Research Project Report No. 1.* By the Research Section, Personnel and Training Group, Office Executives Association of New York, Inc. (New York Chapter—NOMA), 1947. Available from the National Office Management Association, 545 Fifth Avenue, New York, N. Y. 14 pages. $1.00. Reports practices and trends in the field of clerical personnel testing, based on a survey of 475 companies in 13 major trade groups in the New York area. The first portion of this valuable study is a general over-all summary showing the number of companies in various industries using tests, the relationship of test usage to the size of the business, the positions of the persons who administer and evaluate tests, purposes and types of jobs for which tests are used, and the types of tests in use and their frequency. The second part of the study presents detailed breakdowns for the 13 trade groups.

STATE AND REGIONAL MARKET INDICATORS, 1939-1945. *Economic Series No. 60.* Office of Domestic Commerce, U. S. Department of Commerce, Washington, D. C., 1947. 70 pages. 20 cents. Available from the Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C. This handy reference for the marketing executive, the manufacturer, or the distributor provides a series of measures of geographic shifts in economic activity during the complete war period, with yearly comparisons carried through from the base prewar year, 1939. Contains 50 tables of geographic and economic data which can be used to analyze the plus and minus geographic shifts in activities and to aid in measuring the present market potential for selected market objectives. The report thus serves as a general guide for the distribution or redistribution of selling, advertising, and promotional effort on the basis of the national and the geographic potential.

PROFITABLE DIRECT MAIL METHODS. By Robert Stone. Prentice-Hall, Inc., New York, 1947. 452 pages. $5.75. A valuable guide to profitable direct-mail selling. Contains many specimens and illustrations of effective sales writing. Includes chapters on building retail sales by mail, securing wholesaler and jobber cooperation, inspiring company salesmen by mail, aiding salesmen by mail, securing and using testimonials, selling industrial goods by mail, price incentive plans, selling direct to the consumer.

MODERN PLASTICS ENCYCLOPEDIA—1947 Edition. Plastics Catalogue Corporation, 122 East 42nd Street, New York, N. Y. Three volumes. 1,556 pages. $8.50, U. S. A.; $11, Canada. Now in its eleventh edition, and published for the first time in three volumes, this encyclopedia contains complete information on plastic materials, their processing, and their tremendously varied applications in consumer and industrial products. Volume I is a reference to the most recent developments and applications for all types of materials, coatings, films, fibers, fabrics, laminates, and resin-woods. Includes for the first time a selected bibliography on German plastics. Volume II is devoted to processing problems—engineering design, construction design, molding, extruding, casting, fabricating, finishing, and assembly. This volume also includes a complete directory of the plastics industry, which is available separately for $1. Volume III is devoted entirely to 10 special charts to facilitate reference and handling. Charts of plastics identification, chemical formulae, plasticizers, plastics properties, solvents, adhesives, coatings, and synthetic rubber properties, have all been brought up to date. Volume III, or the complete set of charts, is available separately for $3.75. Exclusive of these charts, the *Encyclopedia* contains almost 900 illustrations.

PAPERBOARD AND PAPERBOARD CONTAINERS: *A History.* By Harry J. Bettendorf. Board Products Publishing Company, 228 N. La Salle St., Chicago 1, Ill., 1946. 135 pages. $6.00. Traces the development of paperboard and mass-production paperboard packages from their earliest beginnings, giving many interesting sidelights on the industry and the men who figured prominently in its growth. Profusely illustrated.

PRODUCTION WITH SAFETY. By A. L. Dickie. McGraw-Hill Book Company, New York, 1947. 242 pages. $2.50. In this cost-minded approach to accident prevention, the author demonstrates how accidents—not only to workers but to tools, machines, materials, and equipment—can be controlled. Emphasis throughout is placed on the role of the industrial supervisor in preventing accidents. Thirteen complete safety talks to foremen, serving as a basic course in accident prevention, are included.

PUBLICATIONS RECEIVED

[Please order directly from publishers]

FOREMEN'S UNIONS: *A New Development in Industrial Relations.* By J. C. Cabe. *Bulletin 65,* Bureau of Economic and Business Research, College of Commerce and Business Administration, University of Illinois, Urbana, Ill., 1947. 74 pages.

INDUSTRIAL DISPUTES AND THE PUBLIC INTEREST (A series of addresses presented during The 79th Charter Anniversary of the University of California—March, 1947). By William H. Davis *et al.* Institute of Industrial Relations, California Hall, University of California, Berkeley 4, Calif., 1947. 74 pages. $1.00.

THE NEW ECONOMICS: *Keynes' Influence on Theory and Public Policy.* S. E. Harris, editor. Alfred A. Knopf, New York, 1947. 686 pages. $6.00.

ECONOMICS—PRINCIPLES AND PROBLEMS. By J. E. Moffat *et al.* Thomas Y. Crowell Co., New York, 1947. Fourth edition (revised). 841 pages. $4.25.

ROLE PLAYING AND MANAGEMENT TRAINING. (Publications in Social Science Series 2, No. 21.) By Alex Bavelas. Department of Economics and Social Science, Massachusetts Institute of Technology, Cambridge, Mass., 1947. 9 pages.

CYCLOPEDIA OF INSURANCE IN THE UNITED STATES—1947-1948. The Index Publishing Company, New York, 1947. 1,088 pages. $4.75.

THE SALESMAN'S DIARY FOR 1948. B. C. Forbes & Sons Publishing Co., Inc., New York, 1947. 50 cents, fabricoid; $1.00, leather bound.

VALUE OF COMMODITY OUTPUT SINCE 1869. By W. H. Shaw. National Bureau of Economic Research, Inc., New York, 1947. 310 pages. $4.00.

STANDARD HANDBOOK FOR SECRETARIES. By L. Hutchinson. Whittlesey House, New York, 1947. Fifth edition (revised). 616 pages. $3.50.

INDUSTRIAL MOBILIZATION FOR WAR: *History of the War Production Board and Predecessor Agencies, 1940-45* (Volume I—Program and Administration). Bureau of Demobilization, Civilian Production Administration, Washington, D. C., 1947. For sale by the Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C. 1,010 pages. $3.75.

HOW TO USE BUSINESS MACHINES: *A Brief Introductory Course.* By H. D. Fasnacht. The Gregg Publishing Co., New York, 1947. 111 pages. 80 cents.

APPLIED ECONOMICS. By R. T. Bye and W. W. Hewett. F. S. Crofts & Co., New York, 1947. Fourth edition (revised). 718 pages. $4.00.

OPERATING UNDER THE TAFT-HARTLEY ACT: *A Practical Handbook for Labor Relations and Personnel Executives.* Commerce and Industry Association of New York, Inc., 233 Broadway, New York, 1947. 78 pages. $5.00.

STATEMENT OF THE OWNERSHIP, MANAGEMENT, CIRCULATION, ETC., REQUIRED BY THE ACT OF CONGRESS OF AUGUST 24, 1912, AS AMENDED BY THE ACTS OF MARCH 3, 1933, AND JULY 2, 1946,

Of THE MANAGEMENT REVIEW, published monthly at New York, N. Y., for October 1, 1947.

State of New York }
County of New York } *ss.*

Before me a Notary Public in and for the State and county aforesaid, personally appeared James O. Rice, who, having been duly sworn according to law, deposes and says that he is the Editor of THE MANAGEMENT REVIEW and that the following is, to the best of his knowledge and belief, a true statement of the ownership, management (and if a daily, weekly, semiweekly or triweekly newspaper, the circulation), etc., of the aforesaid publication for the date shown in the above caption, required by the act of August 24, 1912, as amended by the acts of March 3, 1933, and July 2, 1946 (section 537, Postal Laws and Regulations), printed on the reverse of this form, to wit:

1. That the names and addresses of the publisher, editor, managing editor, and business managers are: Publisher, American Management Association, 330 West 42nd Street, New York 18, N. Y.; Editor, James O. Rice, 330 West 42nd Street, New York 18, N. Y.; Managing Editor, M. J. Dooher, 330 West 42nd Street, New York 18, N. Y.; Business Manager, Alvin E. Dodd, 330 West 42nd Street, New York 18, N. Y.

2. That the owner is: (If owned by a corporation, its name and address must be stated and also immediately thereunder the names and addresses of stockholders owning or holding one percent or more of total amount of stock. If not owned by a corporation, the names and addresses of the individual owners must be given. If owned by a firm, company, or other unincorporated concern, its name and address, as well as those of each individual member, must be given.) American Management Association, 330 West 42nd Street, New York 18, N. Y.; Alvin E. Dodd, President, 330 West 42nd Street, New York 18, N. Y.; James L. Madden, Treasurer, 1 Madison Avenue, New York 10, N. Y.

3. That the known bondholders, mortgagees, and other security holders owning or holding 1 per cent or more of total amount of bonds, mortgages, or other securities are: (If there are none, so state.) None.

4. That the two paragraphs next above, giving the names of the owners, stockholders, and security holders, if any, contain not only the list of stockholders and security holders as they appear upon the books of the company but also, in cases where the stockholder or security holder appears upon the books of the company as trustee or in any other fiduciary relation, the name of the person or corporation for whom such trustee is acting, is given; also that the said two paragraphs contain statements embracing affiant's full knowledge and belief as to the circumstances and conditions under which stockholders and security holders who do not appear upon the books of the company as trustees, hold stock and securities in a capacity other than that of a bona fide owner; and this affiant has no reason to believe that any other person, association, or corporation has any interest direct or indirect in the said stock, bonds, or other securities than as so stated by him.

JAMES O. RICE, Editor.

Sworn to and subscribed before me this 16th day of September, 1947.

(Seal)

THOMAS P. BARNWELL, Notary Public.
(My commission expires March 30, 1948.)